



## **TIM: THE BOARD OF DIRECTORS APPROVES THE RESULTS AT MARCH 31, 2022**

Organic results:

**REVENUES AT 3.6 BLN EUROS; ORGANIC EBITDA IN LINE WITH THE GUIDANCE**

**CASH GENERATION FOR MORE THAN 120 MLN EUROS AT EQUITY FREE CASH FLOW AFTER LEASE LEVEL**

**NET FINANCIAL DEBT STABLE AT 17.7 BLN EUROS AS COMPARED WITH DECEMBER 31, 2021**

**TIM BRASIL REVENUES AND EBITDA SHOW GROWTH AND ARE IN LINE WITH THE GUIDANCE, ACQUISITION OF OI ASSETS COMPLETED**

**INDIRECT STAKE IN INWIT SOLD TO ARDIAN, PROCEEDS OF 1.3 BLN EUROS**

**7 JULY CAPITAL MARKET DAY FOR THE PRESENTATION OF THE GROUP'S EXECUTIVE REORGANISATION PROJECT**

- **Group service revenues at 3.4 billion euros (-2.5% YoY in line with the guidance) due to the changed domestic market context that last year benefited from the voucher plan for families and the higher demand for connectivity deriving from the pandemic**
- **Organic EBITDA at 1.4 billion euros (-13.3% YoY), in line with the guidance. For TIM Brasil, service revenues up 8.4% YoY and EBITDA up 5.1% YoY. Revenues from the acquisition of part of the Oi Group mobile business for 1.8 billion Brazilian reais and EBITDA for 1.1 billion in the remaining months of 2022**
- **In Italy, the “Value vs Volume” strategy has been confirmed in fixed and mobile; churn improving on both markets**

*Rome, May 4, 2022*

TIM's Board of Directors met today under the chairmanship of Salvatore Rossi and approved the periodic financial reporting at March 31, 2022. Performance of revenues and organic EBITDA for the quarter is in line with the plan forecasts for 2022.

TIM Group has embarked on a substantial process of change, the first phase of which was completed only at the end of the first quarter and was achieved through the appointment of Chief Executive Officer, Pietro Labriola, at the end of January, the presentation of Group transformation guidelines in early March and the completion of the new executive team in April.



The first quarter, although characterized by business performance and results in substantial continuity with the trend already seen in the latter part of 2021, marks therefore a moment of discontinuity in the management of the Group, with a strong focus on respecting guidance.

On 7 July, to mark TIM's Capital Market Day, the reorganization project will be unveiled to the market. The plan, overcoming the vertical integration model, will speed up the route towards a sustainable generation of cash flows and reveal the intrinsic value of the Group's assets.

During the first quarter, the company maintained a premium positioning strategy ("value vs. volume"), despite the difficult competition and the absence of the voucher plan for consumer customers, which had a very positive impact on the performance of the same period last year.

Net financial debt after lease at March 31, 2022 stood at 17.7 billion euros, up 1.1 billion euros YoY and 0.1 billion euros on December 31, 2021. Net financial debt came to 22.6 billion euros, up 1.5 billion euros YoY and 0.5 billion on December 31, 2021. Equity free cash flow was positive for 123 million euros on an after-lease basis (301 million euros equity free cash flow).

In terms of **strategic initiatives**, the main changes are:

- **Fiber Network:** work to develop the FTTH network continues, increasing the FTTH coverage of technical units by 7 percentage points in the last year. As a result the TIM Group brought ultrabroadband to more than 94% of fixed lines.
- **National Strategic Hub:** TIM, together with Leonardo, Cassa Depositi Prestiti and Sogei, presented the final offer for the design, implementation and management of an infrastructure for the supply of cloud services for the public administration (National Strategic Hub). The offer follows the private initiative project finance proposal presented by the same companies in recent months and selected, last December 27, by the Presidency of the Council of Ministers - Department for Digital Transformation (Decree no. 47/2021-NRRP) as the reference proposal for launching the tender, with the "right to match". In case of final award (the announcement is expected by the end of June), the new company would provide Cloud services and infrastructure to the Public Administration, acquiring them mainly from industrial partners.
- **NRRP:** TIM is participating to various tenders run by the public administration, including "Italia 1 Giga", "Connected Schools phase 2" and "Connected Health Care", with much of the investments absorbed in the 2022-2024 guidance.
- **Brazil:** last April 20, Oi's mobile assets acquisition was completed by TIM Brasil, Claro and Vivo. was completed. The net present value of the synergies estimated for TIM Brasil is 16-19 billion Brazilian reais, while the incremental impact on revenues and EBITDA in the remaining months of 2022 is estimated respectively as 1.8 billion and 1.1 billion Brazilian reais.
- **New organization and executive team:** the organization has been redesigned and the new management team responsible to guide the company through the major transformation envisaged by the 2022-2024 plan has been completed. Internal resources have been promoted and external managers with solid experience in the sector have been appointed to guide the Consumer and the Enterprise segments, bringing additional expertise to the Group.

## First quarter 2022 performance

The **churn rate** continues to improve in both fixed (3.4%, -0.2pp YoY) and mobile (3.7%, -0.1pp YoY) segments.

In **mobile**, both total lines performance (30.4 million) and ARPU (human ARPU €-0.1/month per customer) are stable, reflecting a partial return to rationality in the market, also visible in the slowdown of customer flows between operators (market mobile number portability -10% YoY).

In **fixed**, total line performance slows in the quarter (-108 thousand compared to the previous quarter) also due to the end of the first phase of the voucher program promoted by the Government and managed by Infratel Italia and the delayed launch of the second phase. Retail ARPU (BB+ICT) is up 2.5% YoY.

**Ultrabroadband** lines came to **10.2 million** (retail and wholesale), increasing by 236 thousand lines in the quarter.

Revenues generated by **innovative services** continue to show strong growth, with total ICT revenues up 19% YoY, driven by the strong growth of Cloud services. Overall, the Domestic Business Unit service revenues are down by 5.3% YoY, partly offset on a Group level by the good performance of TIM Brasil, with service revenues up by 8.4% YoY.

Service revenues and organic EBITDA in the quarter are in line with guidance.

The quarter's **service revenues** come to 3.4 billion euros, down -2.5% YoY.

The Group's **organic EBITDA** at March 31 comes in at 1.4 billion euros (down -13.3% YoY) in line with guidance, with the Domestic Business Unit at 1.0 billion euros (down -18,3% YoY) and TIM Brasil at 0.4 billion euros (up 5.1% YoY). The reduction in the domestic margin is mainly related to the revenue trend, with operating costs stable YoY to support growth of the ICT and multimedia businesses.

The Group's **EBITDA after lease** comes to 1.2 billion euros, down -16.3% YoY, while at domestic level it comes to 0.9 billion euros, down -20.4% YoY, with the negative performance mainly due to the presence, in the first quarter of 2021, of non-repeatable transactions in national wholesale. At Group level, **investments** stand at 0.9 billion euros, in line with the plan and with the increase in the quarter (+30.2% YoY) mainly driven by the speeding up of the network transformation in Italy (fiber and 5G mobile), Cloud and data center.

The **net result** attributable to the owners of the parent company stands at -0.2 billion euros in line with the 2021 first quarter results.



## Financial highlights

(million euros) - reported data	1st Quarter 2022 (a)	1st Quarter 2021 (b)	% Change (a-b)
Revenues	3,644	3,728	(2.3)
EBITDA (1)	1,316	1,160	13.4
EBITDA Margin (1)	36.1%	31.1%	5.0 pp
EBIT (1)	209	28	-
EBIT Margin (1)	5.7%	0.8%	4.9 pp
Profit (loss) for the period attributable to owners of the Parent	(204)	(228)	10.5
Capital Expenditures & spectrum	932	691	34.9
	03/31/2022 (a)	12/31/2021 (b)	Change Amount (a-b)
Adjusted net financial debt (1)	22,639	22,187	452

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

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

(million euros) - organic data	1st Quarter 2022 (a)	1st Quarter 2021 (b)	% Change
<b>TOTAL REVENUES</b>	<b>3,644</b>	<b>3,815</b>	<b>(4.5)</b>
Domestic	2,846	3,082	(7.7)
Brazil	806	740	8.9
Other operations, adjustments and eliminations	(8)	(7)	—
<b>SERVICE REVENUES</b>	<b>3,386</b>	<b>3,472</b>	<b>(2.5)</b>
Domestic	2,612	2,758	(5.3)
o/w Wireline	2,020	2,144	(5.8)
o/w Mobile	728	757	(3.9)
Brazil	782	721	8.4
Other operations, adjustments and eliminations	(8)	(7)	—
<b>EBITDA</b>	<b>1,387</b>	<b>1,600</b>	<b>(13.3)</b>
Domestic	1,029	1,260	(18.3)
Brazil	360	342	5.1
Other operations, adjustments and eliminations	(2)	(2)	—
<b>EBITDA After Lease</b>	<b>1,169</b>	<b>1,397</b>	<b>(16.3)</b>
Domestic	904	1,135	(20.4)
Brazil	267	264	1.1
Other operations, adjustments and eliminations	(2)	(2)	—
<b>CAPEX (net of telecommunications licenses)</b>	<b>932</b>	<b>716</b>	<b>30.2</b>
Domestic	706	490	44.1
Brazil	226	226	0.3

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

(million euros) - reported data	1st Quarter 2022 (a)	1st Quarter 2021 (b)	% Change
Equity Free Cash Flow	301	469	(35.8)
Equity Free Cash Flow After Lease	123	307	(59.9)
Adjusted Net Financial Debt <sup>(2)</sup>	22,639	21,155	7.0
Net Financial Debt After Lease <sup>(2)</sup>	17,673	16,591	6.5

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

## COMPLEX CONTRACTS

As detailed in the 2021 Financial Report, as part of the definition of the 2022-2024 Strategic Plan, the business plan hypotheses have been updated in connection with certain contracts for the supply of multimedia contents. These analyses have revealed a negative margin connected with some partnerships in place, including that between TIM and DAZN, and have requested the recognition of a provision of 548 million euros on the 2021 Financial Statements for a contractual risk relating to onerous contracts.

Starting from the first quarter of 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 Quarter 2022	
	TIM Group	Domestic Business Unit
<b>ORGANIC EBITDA (including use of the risk provision for onerous contracts)</b>	<b>1,387</b>	<b>1,029</b>
- Use of the risk provision for onerous contracts to cover the negative margin	(15)	(15)
<b>ORGANIC EBITDA (excluding use of the risk provision for onerous contracts)</b>	<b>1,372</b>	<b>1,014</b>

The amount of 15 million euros represents the negative margin of the first quarter of 2022 for the football contract with DAZN and refers only to the operating performance of the business; the component linked to the prices that TIM is contractually obliged to pay to DAZN is recorded at the end of each football season, at the same time as use of the related provision made, for the portion pertaining to the individual football season.

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

## TIM'S CONTRIBUTION TO THE DIGITAL AND SUSTAINABLE TRANSFORMATION FOR PEOPLE, BUSINESSES AND ORGANIZATIONS

Connectivity and digital solutions are today essential, not only in emergency situations, as seen during the pandemic caused by the spread of the COVID-19 virus, but also in this "new normal" where the way we work, study, take care of ourselves, have fun and live has changed completely, with increasing attention being paid to sustainable aspects. In this first quarter of 2022 too, 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 March 31, 2022, 94% of customers nationally on TIM fixed networks are reached by FTTH or FTTC networks; in the white areas, the percentage stands at around 75%. Growth of TIM's FTTH coverage also continues, now having reached more than 25% of property units<sup>1</sup>.

TIM's **4G** network covers more than **99% of the national population**.

<sup>1</sup> 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.



In Q1 2022, the volume of data handled on TIM's mobile ultrabroadband network grew by 47.8% compared with the same quarter of 2021.

TIM's 5G network, which at March 31, 2022 had reached 66 municipalities, has been confirmed by Ookla® as the fastest in Italy, based on the analysis of the Speedtest Intelligence® data on median download and upload speeds in 5G in Italy from October 2021 to March 2022.

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 quarter of 2022 handled 83.6 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<sub>2</sub> emissions.
- **Smart working:** more efficient organization of work; reduction of traffic; less CO<sub>2</sub> 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

In 2021 **TIM Ventures** subscribed, through the **UV T-Growth** fund, a total commitment of 60 million euros over a ten-year time-frame. In 2021, approximately 12 million euros were invested, used by the fund to invest in Entando and D-Orbit, two highly-technological emerging realities; during the first quarter of 2022, a further investment of 7.1 million euros was made to finance part of the fund's investment in Everli, a service company focused on the evolution of on-line shopping.

## Open innovation

In the first quarter of 2022, collaboration continued with the start-up **AWorld** for an awareness-raising initiative and engagement of TIM employees on sustainable living topics.

## Brazil

**Connectivity:** TIM Brasil has the public commitment to extend 4G connectivity to all municipalities of Brazil by 2023 and leads the country's 4G coverage, reaching 98% of the urban population.

**Agricultural food:** TIM is the only company in the telco sector to be a member of the ConectarAGRO association. In 2021, TIM Brasil reached more than 6.2 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 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. In 2022, TIM Brasil maintained the partnership with Cognia Educação with exclusive offers and special discounts for employees and customers.

## NON-FINANCIAL PERFORMANCE

During the first quarter of 2022, thanks to 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.

The Company's **climate strategy** is consolidated with the confirmation of the carbon neutrality target by 2030 and use of electricity obtained 100% from renewable sources by 2025, thanks to the introduction of a new Net Zero emissions target by 2040 and the commitment to reduce the emissions of its production chain.

The dissemination of **circular economy** models in business processes becomes essential in order to reduce waste and foster recycling, in accordance with the principles of the Green Deal. In this sense, a new target has been added to the three-year plan, which fosters the resale or reuse of company goods and materials that are no longer used and that reduces wastage.

The pillar of **digital growth**, in accordance with the evidence of the DESI<sup>2</sup>, focuses on the expansion of ultrabroadband coverage to close the digital divide, on the strengthening of ever more efficient infrastructures built increasingly according to environmentally-sustainable criteria, on the development of digital services and solutions that limit energy consumption and maximize performance and on the dissemination of digital competences amongst citizens, businesses and institutions.

TIM's ESG ambitions finally are also hinged on objectives that optimize the company's **human capital**, focusing on the increased female presence in managerial roles, on fair remunerations in offering incentives to Group managers, on engagement and on strengthening the ESG competences of TIM people.

Today more than ever before, the Group's infrastructures and human capital are confirmed as essential in order to speed up achievement of the objectives of the 2030 Agenda; TIM's contribution towards the United Nations Sustainable Development Goals is reported on in the Sustainability Report, which provides an analysis of achievement of annual targets and progress made on the multi-year targets on which the Strategic Plan is based.



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<sup>2</sup> Digital Economy and Society Index.



The first quarter 2022 results will be presented to the financial community during the webcast and audio conference on May 5, 2022. The event will start at 11.00 a.m. (Italian time). The presentation will be followed by a Q&A session. Reporters can follow the presentation by telephone and via the web, without the option to ask questions, by calling +39 06 33444 and following the instructions for assisted conferences or by connecting to the following [link](#). The presentation slides will be available at [link](#).

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## INTRODUCTION

*TIM voluntarily writes and publishes periodic financial information referring to the first and third quarter of each year as part of its corporate policy on regular financial and operating performance disclosure addressed to the market and to investors, in line with the best market practices.*

*The consolidated figures of the TIM Group presented in this periodic financial information at March 31, 2022 have been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (defined as the “IFRSs”); such figures are unaudited.*

*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 amendments to the standards issued by the IASB and adopted starting from January 1, 2022.*

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

*Specifically, these alternative performance measures refer to: EBITDA; EBIT; organic change and impact of non-recurring items on revenues, EBITDA and EBIT; EBITDA margin and EBIT margin; Net financial debt carrying amount and adjusted net financial debt; Equity free cash flow. 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 annex 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 the 2021 financial year, the redetermination of the distribution over time of revenues and purchases of materials and services. In connection with the foregoing, the economic data of the first quarter of 2021, has been restated.*

*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 release are reminded not to place undue reliance on forward-*



looking statements; in fact, actual results may differ significantly from forecasts owing to risks and uncertainties depending on numerous factors, the majority of which are beyond the scope of the Group's control. Please refer to the chapter "Main risks and uncertainties" and the contents of the Annual Financial Report at December 31, 2021 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

During the first quarter of 2022, no changes were made to the scope of consolidation.

During the first quarter of 2021, the main changes in the scope of consolidation 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 GROUP RESULTS FOR THE FIRST QUARTER 2022

**Total TIM Group revenues** for the first quarter of 2022, amounted to **3,644 million euros**, -2.3% compared to the first quarter of 2021 (3,728 million euros).

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

(million euros)	1st Quarter 2022		1st Quarter 2021		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	2,846	78.1	3,077	82.5	(231)	(7.5)	(7.7)
Brazil	806	22.1	658	17.7	148	22.5	8.9
Other Operations	—	—	—	—	—	—	—
Adjustments and eliminations	(8)	(0.2)	(7)	(0.2)	(1)	—	—
<b>Consolidated Total</b>	<b>3,644</b>	<b>100.0</b>	<b>3,728</b>	<b>100.0</b>	<b>(84)</b>	<b>(2.3)</b>	<b>(4.5)</b>

The organic change in the Group's consolidated revenues is calculated by excluding the effect of exchange rate changes<sup>3</sup> (+87 million euros), as well as any non-recurring items.

**TIM Group EBITDA** for the first quarter of 2022 came to **1,316 million euros** (1,160 million euros in the first quarter of 2021, -13.3% in organic terms).

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

(million euros)	1st Quarter 2022		1st Quarter 2021		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	962	73.1	858	74.0	104	12.1	(18.3)
% of Revenues	33.8	—	27.9	—	—	5.9 pp	(4.7) pp
Brazil	356	27.1	304	26.2	52	17.1	5.1
% of Revenues	44.2	—	46.3	—	—	(2.1) pp	(1.6) pp
Other Operations	(2)	(0.2)	(2)	(0.2)	—	—	—
Adjustments and eliminations	—	—	—	—	—	—	—
<b>Consolidated Total</b>	<b>1,316</b>	<b>100.0</b>	<b>1,160</b>	<b>100.0</b>	<b>156</b>	<b>13.4</b>	<b>(13.3)</b>

**Organic EBITDA - net of the non-recurring items** amounted to **1,387 million euros**; the EBITDA margin was 38.1% (1,600 million euros in the first quarter of 2021, with an EBITDA margin of 41.9%).

Q1 2022 EBITDA suffered net non-recurring charges for a total of 71 million euros (of which 1 million euros relating to the COVID-19 emergency in Italy), mainly connected to corporate reorganization/restructuring processes, provisions for disputes, regulatory fines and potential liabilities related to them and expenses related to agreements and the development of non-recurring projects.

During Q1 2021, the TIM Group had recorded non-recurring charges for a total of 401 million euros, of which 12 million euros relating to the COVID-19 emergency in Italy and 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 fines and potential liabilities related to them, expenses related to agreements and the development of non-recurring projects and provisions made for managing credits deriving from the worsening of the macroeconomic context following the COVID-19 health emergency.

<sup>3</sup> The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 5.86784 for the Brazilian real in the first quarter of 2022 and 6.59747 in the first quarter of 2021; for the US dollar, the average exchange rates used were 1.12168 in the first quarter of 2022 and 1.20520 in the first quarter 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.

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

(million euros)	1st Quarter 2022	1st Quarter 2021	Changes	
			absolute	%
<b>EBITDA</b>	<b>1,316</b>	<b>1,160</b>	<b>156</b>	<b>13.4</b>
Foreign currency financial statements translation effect		39	(39)	
Non-recurring expenses/(income)	71	401	(330)	
<b>ORGANIC EBITDA - excluding non-recurring items</b>	<b>1,387</b>	<b>1,600</b>	<b>(213)</b>	<b>(13.3)</b>
% of Revenues	38.1	41.9		(3.8) 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 1,372 million euros during the first quarter of 2022.

**TIM Group EBIT** for the first quarter of 2022 was **209 million euros** (28 million euros in the first quarter of 2021).

**Organic EBIT, net of the non-recurring items**, amounted to **280 million euros** (440 million euros for the first quarter of 2021), with an EBIT margin of 7.7% (11.5% for the first quarter of 2021).

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

(million euros)	1st Quarter 2022	1st Quarter 2021	Changes	
			absolute	%
<b>EBIT</b>	<b>209</b>	<b>28</b>	<b>181</b>	<b>—</b>
Foreign currency financial statements translation effect		11	(11)	
Non-recurring expenses/(income)	71	401	(330)	
<b>ORGANIC EBIT - excluding non-recurring items</b>	<b>280</b>	<b>440</b>	<b>(160)</b>	<b>(36.4)</b>

**Net result attributable to Owners of the Parent for the first quarter of 2022** was a loss of -204 million euros (-228 million euros in the first quarter of 2021); excluding the impact of non-recurring items, the net profit for the first quarter of 2022 is -152 million euros (+82 million euros in the first quarter of 2021).

The TIM Group **headcount** at March 31, 2022 was **51,903**, of which 42,538 in Italy (51,929 at December 31, 2021, of which 42,347 in Italy), with a decrease of 26 compared to December 31, 2021 (in Italy an increase of 191).

**Capital expenditures and expenses for mobile telephone licenses/spectrum** for the first quarter of 2022, were 932 million euros (691 million euros in the first quarter of 2021).

Capex is broken down as follows by operating segment:

(million euros)	1st Quarter 2022		1st Quarter 2021		Change
		% weight		% weight	
Domestic	706	75.8	490	70.9	216
Brazil	226	24.2	201	29.1	25
Other Operations	—	—	—	—	—
Adjustments and eliminations	—	—	—	—	—
<b>Consolidated Total</b>	<b>932</b>	<b>100.0</b>	<b>691</b>	<b>100.0</b>	<b>241</b>
% of Revenues	25.6		18.5		7,1pp

In particular:

- the **Domestic Business Unit** posts capex for 706 million euros, up +216 million euros in organic terms compared to the first quarter 2021, mainly due to the development of the FTTC/FTTH networks;
- the **Brazil Business Unit** posted capital expenditures in the first quarter of 2022 of 226 million euros (201 million euros for the first quarter 2021). Excluding the impact of changes in exchange rates (+25 million euros), capex was stable as compared with the first quarter of 2021.

The Group's **Operating Free Cash Flow** for Q1 2022 is positive for 304 million euros (+755 million euros in Q1 2021), i.e. 490 million euros in Q1 2022 net of 186 million euros related to the acquisition of rights to use 5G telecommunications service frequencies in Brazil.

**Adjusted net financial debt** amounted to 22,639 million euros at March 31, 2022, **an increase of 452 million euros compared to December 31, 2021** (22,187 million euros). The cash flow from operations has made it possible to cover the financial management needs and needs relating to the commitments to develop the networks in Brazil and Italy; the aforementioned increase in net financial debt is essentially due to the exchange rate trend and the accounting impact of the renegotiation of lease contracts (IFRS16).

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)	03/31/2022 (a)	12/31/2021 (b)	Change (a-b)
<b>Net financial debt carrying amount</b>	<b>22,846</b>	<b>22,416</b>	<b>430</b>
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	(207)	(229)	22
<b>Adjusted net financial debt</b>	<b>22,639</b>	<b>22,187</b>	<b>452</b>
<i>Leasing</i>	(4,966)	(4,614)	(352)
<b>Adjusted Net Financial Debt - After Lease</b>	<b>17,673</b>	<b>17,573</b>	<b>100</b>

**Net financial debt carrying amount** amounted to 22,846 million euros at March 31, 2022, an increase of 430 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 quarterly change of 22 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 17,673 million euros at March 31, 2022, up by 100 million euros compared to December 31, 2021 (17,573 million euros).

The TIM Group's available **liquidity margin** amounted to 9,228 million euros, equal to the sum of:

- “Cash and cash equivalents” and “Current securities other than investments” for a total of 5,228 million euros (9,153 million euros at December 31, 2021), also including 285 million euros in repurchase agreements expiring by June 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.

It should be noted that sales without recourse of trade receivables to factoring companies completed during the first quarter of 2022 resulted in a positive effect on the adjusted net financial debt at March 31, 2022, amounting to 1,091 million euros (1,536 million euros at December 31, 2021).

## RESULTS OF THE BUSINESS UNITS

### Domestic

**Domestic Business Unit revenues** amounted to 2,846 million euros, down 231 million euros (-7.5%) compared to Q1 2021. In organic terms, they reduce by 236 million euros (-7.7% on Q1 2021).

Revenues from stand-alone services come to 2,612 million euros (-141 million euros compared to the first quarter of 2021, -5.1%) 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 146 million euros compared to the first quarter of 2021 (-5.3%).

In detail:

- **revenues from stand-alone Fixed market services** amounted to 2,020 million euros in organic terms, with a negative change with respect to Q1 2021 (-5.8%) mainly due to the decrease in accesses and ARPU levels, which is also reflected in the trend of revenues from broadband services (-49 million euros compared to Q1 2021, -8.8%), partly offset by the growth in revenues from ICT solutions (+53 million euros compared to Q1 2021, +18.5%);
- **revenues from stand-alone Mobile market services** came to 728 million euros (-29 million euros on Q1 2021, -3.9%), 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 234 million euros for the first quarter of 2022, a decrease of 90 million euros compared to the first quarter 2021, for the most part attributable to the Fixed segment.

The performance of the individual market segments of the Domestic Business Unit compared to the first quarter of 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; customer care, operating credit support, loyalty and retention activities, sales within its remit, and administrative management of customers; includes the company TIM Retail, which coordinates the activities of flagship stores. In organic terms, the revenues of the Consumer segment totaled 1,163 million euros (-184 million euros, -13.7%) and show a trend, compared to Q1 2021, affected by the challenging competition and greater discipline in commercial processes. The trend seen in total revenues also applied to revenues from services, which amounted to 1,048 million euros, down by -110 million euros compared to the first quarter of 2021 (-9.5%). In particular:
  - **revenues from Mobile services** totaled, in organic terms, 452 million euros (-27 million euros, -5.7% compared to the first quarter 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, 603 million euros (-85 million euros, -12.3% compared to the first quarter of 2021), primarily due to lower ARPU levels and the smaller Customer Base, which in Q1 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 come to 115 million euros, down by 75 million euros on Q1 2021 (-39.4%); the difference is mainly due to a major decline in the demand for connectivity post-COVID-19 and the end of 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, net of the aforesaid non-recurring component, revenues for the Business segment amounted to 971 million euros (-12 million euros compared to the first quarter of 2021, -1.2%, of which +0.9% for revenues from the stand-alone services component). In particular:
  - **total Mobile market revenues** showed a positive organic performance compared to Q1 2021 (+1.2%), despite the negative contribution of revenues from stand-alone services (-1.3%);
  - **total Fixed revenues** in organic terms changed by -15 million euros compared to Q1 2021 (-2.0%), generated by the reduction in sales revenues; revenues from services grew by 1.5%, 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 Telefonía Mobile Sammarinese. The Wholesale National Market segment revenues in the first quarter of 2022 reached 478

million euros, down by 55 million euros (-10.3%) compared to the first quarter of 2021, with a negative performance mainly driven by the presence, in the first quarter 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 for Q1 2022 in the Wholesale International Market segment came to 239 million euros, up (+21 million euros, +9.6%) on Q1 2021. This positive result was determined by both the sales of services and of fiber/products.

**Domestic Business Unit EBITDA for Q1 2022** totaled 962 million euros (+104 million euros compared to the first quarter of 2021, +12.1%), with a margin of 33.8% (+5.9 percentage points compared to the same period of 2021).

**Organic EBITDA, net of the non-recurring component,** amounted to 1,029 million euros (-231 million euros compared to the first quarter of 2021, -18.3%). In particular, EBITDA for Q1 2022 was impacted by non-recurring items in the amount of 67 million euros, whilst Q1 2021 reflected a total impact of 401 million euros referring to non-recurring items, of which 12 million euros related to the COVID-19 emergency in Italy.

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

(million euros)	1st Quarter 2022	1st Quarter 2021	Changes	
			absolute	%
<b>EBITDA</b>	<b>962</b>	<b>858</b>	<b>104</b>	<b>12.1</b>
Foreign currency financial statements translation effect		1	(1)	
Non-recurring expenses (Income)	67	401	(334)	
<b>ORGANIC EBITDA - excluding non-recurring items</b>	<b>1,029</b>	<b>1,260</b>	<b>(231)</b>	<b>(18.3)</b>

**Organic EBITDA excluding the use of the risk provisions for onerous contracts** came to 1,014 million euros during the first quarter of 2022.

**Domestic Business Unit EBIT for Q1 2022** totaled 92 million euros (+152 million euros compared to the first quarter of 2021), with a margin of 3.2% (+5.1 percentage points compared to the first quarter of 2021).

**Organic EBIT, net of the non-recurring component,** amounted to 159 million euros (-182 million euros compared to the first quarter of 2021, -53.4%), with a margin of 5.6% (11.1% for the first quarter of 2021).

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

(million euros)	1st Quarter 2022	1st Quarter 2021	Changes	
			absolute	%
<b>EBIT</b>	<b>92</b>	<b>(60)</b>	<b>152</b>	
Non-recurring expenses (Income)	67	401	(334)	
<b>ORGANIC EBIT - excluding non-recurring items</b>	<b>159</b>	<b>341</b>	<b>(182)</b>	<b>(53.4)</b>

**Headcount** stood at 42,782 (42,591 as of December 31, 2021).

**Brazil** (average real/euro exchange rate 5.86784 in the first quarter of 2022, 6.59747 in the first quarter of 2021)

**Revenues** for the first quarter of 2022 of the **Brazil Business Unit (TIM Brasil group)** amounted to 4,727 million reais (4,340 million reais on the first quarter of 2021, +8.9%), speeding up on the levels recorded from the third quarter of 2021.

The acceleration has been driven by **service revenues** (4,584 million reais vs 4,228 million reais for the first quarter of 2021, +8.4%) with mobile service revenues growing by 8.6% on the first quarter 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 5.7% compared to the first quarter 2021, determined above all by the growth rate of TIM Live.

**Revenues from product sales** totaled 143 million reais (112 million reais for the first quarter of 2021).

The **mobile ARPU** for the first quarter of 2022 was 27.4 reais, up from the figure recorded in the first quarter of 2021 (25.5 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 March 31, 2022** amounted to 52.3 million, +0.2 million compared to December 31, 2021 (52.1 million). This variation was mainly driven by the postpaid segment (+0.3 million), partially offset by the performance in the prepaid segment (-0.1 million), in part due to the consolidation underway in the market for second SIM cards. Post-paid customers represented 44.4% of the customer base as of March 31, 2022, 0.5 percentage points higher than at December 2021 (43.9%).

The TIM Live broadband business recorded net positive growth in the customer base at March 31, 2022 of 28 thousand users, +4,2% compared to March 31, 2021. In addition, the customer base continues to be concentrated on high-speed connections, with more than 50% exceeding 100Mbps.

Q1 2022 **EBITDA** came to 2,091 million reais (2,008 million reais in Q1 2021, 4.1%) and the margin on revenues is equal to 44.2% (46.3% in Q1 2021).

EBITDA in the first quarter of 2022 reflects the non-recurring charges of 20 million reais mainly related to the development of business reorganization processes and non-recurring projects.

**Organic EBITDA, net of the non-recurring items**, increased by 5.1% and was calculated as follows:

(million Brazilian reais)	1st Quarter 2022	1st Quarter 2021	Changes	
			absolute	%
<b>EBITDA</b>	<b>2,091</b>	<b>2,008</b>	<b>83</b>	<b>4.1</b>
Non-recurring expenses/(income)	20	—	20	
<b>ORGANIC EBITDA - excluding non-recurring items</b>	<b>2,111</b>	<b>2,008</b>	<b>103</b>	<b>5.1</b>

The increase of EBITDA is due to the increase in revenue and cost control efficiency.

The relative margin on revenues, in organic terms, comes to 44.7% (46.3% in the first quarter of 2021).

**EBIT** for the first quarter of 2022 amounted to 703 million reais (592 million reais for the first quarter of 2021, +18.8%).

**Organic EBIT, net of the non-recurring items**, in the first quarter of 2022 amounted to 723 million reais (592 million reais in the first quarter of 2021), with a margin on revenues of 15.3% (13.6% in the first quarter of 2021).

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

(million Brazilian reais)	1st Quarter 2022	1st Quarter 2021	Changes	
			absolute	%
<b>EBIT</b>	<b>703</b>	<b>592</b>	<b>111</b>	<b>18.8</b>
Non-recurring expenses/(income)	20	—	20	
<b>ORGANIC EBIT - excluding non-recurring items</b>	<b>723</b>	<b>592</b>	<b>131</b>	<b>22.1</b>

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 5.25943 as of March 31, 2022.

**Personnel** at March 31, 2022 totaled 9,109 units posting a reduction of 216 units compared to December 31, 2021 (9,325 units).

## AFTER LEASE INDICATORS

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

### EBITDA AFTER LEASE - TIM GROUP

(million euros)	1st Quarter 2022	1st Quarter 2021	Changes	
			absolute	%
<b>ORGANIC EBITDA - excluding non-recurring items</b>	<b>1,387</b>	<b>1,600</b>	<b>(213)</b>	<b>(13.3)</b>
Lease payments	(218)	(203)	(15)	(7.4)
<b>EBITDA After Lease (EBITDA-AL)</b>	<b>1,169</b>	<b>1,397</b>	<b>(228)</b>	<b>(16.3)</b>

### EBITDA AFTER LEASE - DOMESTIC

(million euros)	1st Quarter 2022	1st Quarter 2021	Changes	
			absolute	%
<b>ORGANIC EBITDA - excluding non-recurring items</b>	<b>1,029</b>	<b>1,260</b>	<b>(231)</b>	<b>(18.3)</b>
Lease payments	(125)	(125)	—	—
<b>EBITDA After Lease (EBITDA-AL)</b>	<b>904</b>	<b>1,135</b>	<b>(231)</b>	<b>(20.4)</b>

### EBITDA AFTER LEASE - BRAZIL

(million euros)	1st Quarter 2022	1st Quarter 2021	Changes	
			absolute	%
<b>ORGANIC EBITDA - excluding non-recurring items</b>	<b>360</b>	<b>342</b>	<b>18</b>	<b>5.1</b>
Lease payments	(93)	(78)	(15)	(19.2)
<b>EBITDA After Lease (EBITDA-AL)</b>	<b>267</b>	<b>264</b>	<b>3</b>	<b>1.1</b>

### ADJUSTED NET FINANCIAL DEBT AFTER LEASE - TIM GROUP

(million euros)	03/31/2022	12/31/2021	Change
<b>Adjusted net financial debt</b>	<b>22,639</b>	<b>22,187</b>	<b>452</b>
Leasing	(4,966)	(4,614)	(352)
<b>Adjusted net financial debt - After Lease</b>	<b>17,673</b>	<b>17,573</b>	<b>100</b>

### EQUITY FREE CASH FLOW AFTER LEASE - TIM GROUP

(million euros)	1st Quarter 2022	1st Quarter 2021	Change
<b>Equity Free Cash Flow</b>	<b>301</b>	<b>469</b>	<b>(168)</b>
Change in lease contracts (principal share)	(178)	(162)	(16)
<b>Equity Free Cash Flow After Lease</b>	<b>123</b>	<b>307</b>	<b>(184)</b>



## BUSINESS OUTLOOK FOR THE YEAR 2022

In light of the performance of the main business segments in Q1 2022, the guidance already communicated with the approval of the TIM 2022-2024 Industrial Plan, is confirmed.

### EVENTS SUBSEQUENT TO MARCH 31, 2022

**TIM: Signed a non-disclosure agreement with CDP Equity to start discussions on possible network integration with Open Fiber**

See the press release issued on April 2, 2022.

**TIM and Ardian signed an agreement on TIM's indirect stake in INWIT**

See the press release issued on April 14, 2022.

**TIM: TIM Brasil, completed the acquisition of Oi Group's mobile business**

See the press release issued on April 20, 2022.

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The Board of Directors has also rescheduled the Board meeting to approve the financial report at June 30, 2022 for August 3 (previously July 27), resulting in the rescheduling of the conference call with analysts to 4 August.

## CORPORATE GOVERNANCE ISSUES

Making use of the authorization granted by the Shareholders' Meeting held last April 7, the Board of Directors also approved the launch of the 2022-2024 Stock Options Plan. The Plan involves a maximum of 257,763,000 options and is intended for the CEO, Top Management and a select number of managers holding key roles in terms of achieving the Strategic Plan objectives. The regulation governs the attribution of options, which can be exercised according to the degree to which the Performance Objectives are achieved in the three-year period 2022-2024, represented by the economic indicator comprising cumulative reported EBITDA-capex for FYs 2022-2024 (worth 70%) and the ESG indicator, in turn represented by the percentage of women in positions of responsibility at the end of 2024 and the ratio of renewable electricity to electricity consumed in FY 2024. The degree of achievement of the performance parameters will be ascertained by the Board of Directors of the Company called on to approve the consolidated financial statements at December 31, 2024.

The Board of Directors has approved certain adjustments to the Company's Group Regulation and Corporate Governance Principles, consequent to the new governance structure and the delegations assigned to CEO Pietro Labriola, confirmed following the shareholders' meeting appointment held last April 7. The updated versions of the Corporate Governance Principles and Group Regulation will be made available on the Company's website at [www.gruppotim.it](http://www.gruppotim.it), in the Governance/Governance Tools section.

## 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 health emergency due to the spread of COVID-19 and the Russia-Ukraine conflict and the increased purchasing 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 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.

Italian GDP growth expectations were lowered in 2022 (to below 3%) considering the impact of the war, the sanctions brought against Russia and the possible new measures to be adopted in addition to the decline of the first quarter. The factors driving growth should strengthen in the summer, causing the Italian economy to recover, but the increase in energy prices may slow growth. The demand for energy did, in fact, re-launch with the recovery of economic activities post-pandemic, but the war in Ukraine has significantly increased the prices of natural gas throughout Europe (which purchases approximately 40% of Russian natural gas production). The medium/long-term will see energy sector prices remain higher than in previous years. The increase in the prices of natural gas and crude oil impact the European industries, above all those which are most energy-intensive. The shock of the energy supply has revealed the dependency of European countries on fossil fuels to meet the various States' domestic demand for energy. There are also risks of financial instability of businesses and banks that are dependent on investments made in the energy sectors.

As a consequence of the increased energy prices, inflationary pressure remains (expected to reach 5% in 2022), which negatively impacts families' purchasing power as well as that of businesses, with possible consequences on consumer trends in a bid to attenuate the impact of these increases. It therefore follows that for companies, the effects will differ considerably depending on the energy intensity of production, but on average both the increased costs and the demand crisis will weigh heavy. The specter of stagflation (low growth and high inflation) is a risk.

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 applied economic sanctions against 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. The commercial impact will be global, huge and immediate.

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 too, 2022 growth forecasts have been dropped (1.5%), while inflation is expected to be increased (6.5%) as compared with the 4.7% recorded last November. According to the Brazilian Ministry of the Economy, it is expected that 2022 may show a trend of recovery of losses due to the continuation of the COVID-19 pandemic. More specifically, the opportunities available on the foreign market lie in a more favorable exchange rate.

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.



*The Executive responsible for preparing the corporate financial reports, Adrian Calaza, hereby declares, pursuant to subsection 2, Art. 154 bis of Italy's Consolidated Law on Finance, that the accounting information contained herein corresponds to the company's documentation, accounting books and records.*