

Press Release

TIM: THE BOARD OF DIRECTORS HAS EXAMINED THE PRELIMINARY DATA AT DECEMBER 31, 2022

Organic results:

2022 RESULTS EXCEED GUIDANCE THANKS TO A FURTHER IMPROVEMENT IN OPERATING TRENDS IN THE FOURTH QUARTER

OVER THE TWELVE MONTHS, GROUP SERVICE REVENUES COME TO € 14.6 BLN, UP 1.3% YoY VS GUIDANCE “LOW SINGLE DIGIT DECREASE” (+3.6% YoY IN THE FOURTH QUARTER)

GROUP ORGANIC EBITDA EQUAL TO € 6.0 BLN DOWN 6.7% YoY VS GUIDANCE “HIGH SINGLE DIGIT DECREASE” (+2.7% YoY IN THE FOURTH QUARTER) AND GROUP ORGANIC EBITDA AFTER LEASE EQUAL TO € 5.0 BLN, DOWN 10.6% YoY VS GUIDANCE “LOW TEENS DECREASE” (-1.3% YoY IN THE FOURTH QUARTER)

GROUP CAPEX OF € 4.0 BLN, OF WHICH DOMESTIC € 3.1 BLN VS GUIDANCE, RESPECTIVELY € 4.1 BLN AND € 3.2 BLN

GROUP NET FINANCIAL DEBT AFTER LEASE OF € 20.0 BLN, STABLE ON SEPTEMBER 30 AND UP ON 2021 ONLY FOR THE EXTRAORDINARY ITEMS

STRONG GROWTH OF TIM BRASIL CONFIRMED WITH SERVICE REVENUES AT € 3.8 BLN, UP 19.0% YoY (+20.8% IN THE FOURTH QUARTER), ORGANIC EBITDA OF € 1.9 BLN, UP 16.4% YoY (+16.9% YoY IN THE FOURTH QUARTER)

112% OF THE COST CONTAINMENT TARGET FOR 2022 REACHED

Rome, 14 February 2023

TIM's Board of Directors met today under the chairmanship of Salvatore Rossi and examined the preliminary data at December 31, 2022. The Board will meet to approve the draft financial statements for the year and the consolidated financial statements on March 15.

The fourth quarter results, which record a further improvement on the previous quarters thanks to the stabilization and relaunch of the domestic business and the acceleration of the development of TIM Brasil, make it possible to reach or even exceed the objectives set for 2022, which had partly been raised last August.

More specifically, compared with the fourth quarter of 2021, **Group total revenues** grew by 3.3% YoY to 4.3 billion euros (+1.1% YoY in the third, -1.4% YoY in the second and -4.5% YoY in the first quarter) while **Group service revenues** increased for the third consecutive quarter, up by 3.6% YoY to 3.9 billion euros (+3.0% YoY in the third, +1.0% YoY in the second and -2.5% YoY in the first quarter) thanks to the positive contribution from Brazil and an improved domestic trend. In **Italy** the premium positioning strategy ‘Value vs. Volume’ was further strengthened with new measures aiming to increase the rationality of both the fixed and mobile market. More specifically, in light of the recent changes to the macroeconomic context, with reference to the increase in energy and raw

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material costs, an inflation adjustment mechanism has been introduced which will generate any benefits starting from 2024. In **Brazil**, on the other hand, the Oi Group's mobile business continued to be integrated and the organic growth strategy was further pursued on the fixed market.

A net improvement has been seen in **Group EBITDA**, which reverses the negative trend of previous quarters, recording growth of 2.7% YoY to 1.5 billion euros in the fourth quarter (-6.5% YoY in the third, -8.5% YoY in the second and -13.3% YoY in the first quarter).

Strong improvement is also seen in the **Group's EBITDA After Lease**, which is down 1.3% YoY to 1.2 billion euros (-11.2% YoY in the third, -12.3% YoY in the second and -16.3% YoY in the first quarter).

During the quarter, **cost containment actions** to increase the level of TIM Domestic's structural efficiency also continued ('Transformation Plan', cumulative target of cash cost reduction of 1.5 billion euros by 2024 versus the inertial trend). Over the twelve months, the reduction with respect to the inertial trend was approximately 337 million euros, reaching 112% of the target set for 2022.

Net financial debt after lease at December 31, 2022 came to 20.0 billion euros, up 2.4 billion euros on December 31, 2021, essentially due to payment of the 5G spectrum and the Oi assets, only partly mitigated by collections made as a result of the sale of the indirect share held in INWIT. Net of one-off effects, over the twelve months, net financial debt after lease stabilized, thereby inverting the growth trend. Adjusted **Net financial debt** came to 25.4 billion euros, up 3.2 billion euros on December 31, 2021.

At December 31, 2022, the liquidity margin came to approximately 9.0 billion euros and covers the debt maturity dates through to 2024. In January 2023, after two years of absence from the debt capital market, TIM successfully placed a fixed-rate **unsecured bond** of 0.85 billion euros offered to institutional investors.

The **Equity free cash flow** of the twelve months was essentially nil on an after lease basis (equity free cash flow was positive for approximately 0.6 billion euros).

In terms of **strategic initiatives**, below is an update of the plan presented on July 7 during the Capital Market Day, with the objective to overcome vertical integration through the separation of the fixed network infrastructure assets (NetCo) from services (ServiceCo with TIM Consumer, TIM Enterprise and TIM Brasil) and reduce debt through the disposal and optimization of certain assets.

For each of the four entities, a summary of the performance parameters is given:

- In the twelve months, **TIM Consumer** recorded total revenues and revenues from services down respectively by 9% YoY and 7% YoY.

The year saw positive operating trends with the customer churn rate declining YoY, both on fixed and mobile.

Initiatives to implement the premium positioning strategy 'Value vs. Volume'. Among the most significant, we would point out the selective re-pricing of the fixed and mobile customer base and the introduction of a mechanism for adjusting the monthly fee of some offers to inflation. The first annual change will be made on April 1, 2024.

- **TIM Enterprise** confirmed 2022 growth in excess of the market, with an increase in total revenues and services respectively of 8% YoY and 11% YoY. Performance was driven by the Cloud, Security and IoT services, which more than offset the slight reduction in the other business lines.

The revenue trend in the twelve months was in line with expectations:

- Connectivity (-2% YoY)
- Cloud (+54% YoY)
- IoT (+11% YoY)
- Security (+41% YoY)

As a whole, ICT services generated 58% of total revenues, compared with 56% in 2021.

2022 saw TIM Enterprise reinforce its market leadership position as operator able to supply an integrated platform of connectivity, cloud, security and IoT services, as confirmed by the award - amongst others - of the tender for the National Strategic Hub, which has now entered the development phase with the signing of the first contracts, the start of migration to the cloud by certain public administrations and the consequent contribution to fourth quarter revenues.

- In the twelve months, **NetCo** recorded total revenues and revenues from services down respectively by 4% YoY and 4% YoY. The reduction is mainly due to one-off transactions recorded in the accounts in the first half of the previous year.

At December 31, NetCo managed approximately 16.0 million fixed accesses (of which approximately 72% in FTTH technology) with a market share of approximately 80%. The technical units covered by FTTH technology numbered 7.7 million, giving a coverage of approximately 32%, up by 7 percentage points on the end of 2021.

On February 2, 2023, TIM reported having received a non-binding offer from KKR for the purchase of a stake in a newco being established, coinciding with the managerial and infrastructural scope of the fixed network, including the assets and business of FiberCop, as well as the equity investment held in TI Sparkle. The non-binding offer, which lasts for four weeks from the start date (February 1), refers to a share to be defined, without prejudice to the fact that the purchase would result in the loss of vertical integration with respect to TIM. The Board of Directors will meet this coming February 24, to decide on the non-binding offer, without prejudice to the fact that TIM remains open to assessing any alternatives that may arise in the meantime and will continue talking to its stakeholders.

- In the twelve months, **TIM Brasil** recorded total revenues and revenues from services up respectively by 19.2% YoY and 19.0% YoY and an EBITDA of +16.4% YoY. Significant growth was also seen in the fourth quarter of total revenues (+21.4% YoY), service revenues (+20.8% YoY) and EBITDA (+16.9% YoY) thanks to a solid organic performance and the contribution made to the Oi assets.

MAIN DOMESTIC OPERATING INDICATORS FOR THE FOURTH QUARTER

During the fourth quarter, the **churn rate** in the mobile segment reduced compared with the same period of 2021 (3.3%, -0.3pp YoY) and was essentially stable in fixed (3.4%, -0.1pp YoY).

The total number of TIM **mobile lines** was 30.4 million, stable on end 2021. 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 migration to other operators) TIM again posted the best result among infrastructure operators with a net balance of -41 thousand lines. At the same time the sector saw the portability flows reduce overall by 10% YoY, demonstration of the cooling of the competitive intensity in the high end of the market (high-spending customers).

The number of **fixed lines** reduced by approximately 350 thousand units compared with end 2021. Average revenues of retail customers (ARPU BB+ICT) are up 11% YoY. In 2022, 545 thousand new retail and wholesale Ultrabroadband lines were activated, reaching 10.6 **million** units, up by approximately 5% YoY.



The 2022 results will be presented to the financial community during the webcast and audio conference on February 15, 2023. 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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ESG performance

TIM Domestic

In 2022, ESG activities characterised every area of the company, with more than 40 projects aimed at achieving targets.

In NetCo, TIM carried out asset efficiency measures to absorb increases in data centre traffic and consumption. This activity resulted in the issuance of energy efficiency certificates for about EUR 3.8 million. In Italy, the company increased the use of renewable energy up to about 46%, reduced waste by boosting the recycling and resale of products and materials, and achieved revenues of about EUR 2.4 million, also thanks to the implementation of the 'circular economy ratio' indicator that links waste management to its economic value.

For individuals and families, TIM has strengthened its TIM Green range, offering over 60% of products with sustainable features, and launched the Fibre up to 10 Gbps offer, the most powerful in terms of speed and stability, where fibre optics covers the entire route from the TIM network to the customer's home.

Through TIM Enterprise, the aim is to guide the Italian business system and public administrations towards more efficient, secure and faster processes and activities. In 2022, through the Polo Strategico Nazionale company set up with SOGEL, Leonardo and Cassa Depositi e Prestiti, TIM signed the Convention for the design, implementation and management of the Cloud infrastructure that will host the Public Administration's critical and strategic data and services. TIM also supported the business of Italian companies, recording an increase in revenues from IoT and Security Services and activations of Digital Identity Services (SPID, PEC, digital signature).

TIM also aims to strengthen all aspects of a sustainable working environment. The Group has launched a new smartworking model, whereby company offices are closed on Fridays, with significant results for work-life balance and the environment. Among the Group's main commitments are also those related to bridging the gender gap and the reskilling and upskilling of employees, through ad hoc training paths.

During the year, TIM signed a strategic partnership with Eni - Openes concerning the transformation of supply chains into sustainable supply chains. The Group has also implemented a short and medium-term ESG incentive policy to guide management's activities. To maximise ESG results, TIM has implemented a platform that combines data and projects and monitors performance.

The results are in line with the targets of the 22-24 plan and the reporting will take place with the publication of the non-financial statement.

Brazil

Environment

The company has taken various initiatives to improve the efficiency of its infrastructures, which have led to a significant improvement in the eco-efficiency indicator, which now reaches +127% of traffic data (bit/joule). Use of 100% renewable energy (achieved in 2021) is also confirmed, with self-generated sources used for approximately 50%.

Social

TIM Brasil has confirmed that it is the first mobile operator to cover 100% of Brazilian municipalities with its 4G network.

Governance

TIM Brasil has obtained certifications for the management of cyber security and transparency, like ISO 27001 and Transparency - Pro Ethics and has been included on the ISE sustainability index for 15 years running.



Introduction

The TIM Group and TIM S.p.A. preliminary consolidated financial statements for the year 2022 and the comparative figures for the previous year have been prepared in compliance with IFRS issued by the International Accounting Standards Board and endorsed by the European Union ("IFRS").

The accounting policies and consolidation principles adopted are consistent with those applied for the TIM Group Consolidated Financial Statements and the TIM S.p.A. Separate Financial Statements at December 31, 2021, except for the amendments to the standards issued by 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; Cash flow from operations; Cash flow from operations (net of licenses). Following the adoption of IFRS 16, the TIM Group also presents the following additional alternative performance measures: EBITDA After Lease ("EBITDA-AL"), Adjusted net financial debt After Lease, Equity Free Cash Flow After Lease.

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

The preliminary results of the 2022 financial year have not been audited by the Independent Auditors.



Main changes in the scope of consolidation of the TIM Group

The main changes in the scope of consolidation during **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;
- *Movenda S.p.A. (which joined the Domestic Business Unit scope):* TIM S.p.A. acquired 100% share capital of the company in July 2022. Movenda offers digital identity solutions. On December 31, 2022, the merger by incorporation of Movenda S.p.A. into TIM S.p.A. took effect, with accounting and tax effects from July 1, 2022;
- *Daphne 3 S.p.A. (which left the Domestic Business Unit scope):* on August 4, 2022, TIM S.p.A. transferred 41% of the share capital of the holding Daphne 3, which has a 30.2% investment in Infrastrutture Wireless Italiane ("INWIT") to a consortium of investors led by Ardian.

The following should also be noted:

- *Polo Strategico Nazionale S.p.A.:* the company was established on August 4, 2022, it deals with the design, preparation, fitting out and management of infrastructure for the supply of cloud services and solutions for the public administration. TIM holds 45% of the share capital and the company is considered to be an associate of TIM S.p.A..

During **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 operations):* 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;
- *TIM Servizi Digitali S.p.A. (Domestic Business Unit):* company established on July 30, 2021; the company's corporate purpose is the development and maintenance of plants for the supply of telecommunications services; to this end, we note that in September 2021, the company stipulated a rental contract with Sittel S.p.A. for a business unit consisting of the construction, delivery and assurance of telecommunications networks and plants;
- *Panama Digital Gateway S.A. (Domestic Business Unit):* company established in July 2021 for the construction of a digital hub that seeks to offer a reference hub for the whole of Central America, the region of the Andes and the Caribbean;
- *Stær Sistemi S.r.l. (Domestic Business Unit):* company acquired by Olivetti S.p.A. on September 30, 2021. The company's corporate purpose is the carrying out of activities connected with the production and marketing of electronic systems and programs and activities connected with energy efficiency plants;
- *I-Systems S.A. (Brazil Business Unit):* starting November 2021, following completion of the agreement between TIM S.A. and IHS Fiber Brasil - Cessão de Infraestruturas Ltda. ("IHS Brasil"), IHS Brasil holds 51% of the company's share capital. The remaining 49% is held by TIM S.A.. I-Systems S.A. is the company established by TIM S.A. to segregate its network assets and the provision of infrastructure services;
- *Olivetti Payments Solutions S.p.A. (Domestic Business Unit):* company incorporated on December 1, 2021. The corporate purpose regards the management of equity investments, research and studies, commercial, industrial, financial, securities and real estate activities.

Preliminary TIM Group results for the 2022 financial year

Total TIM Group revenues for the year 2022, amounted to **15,788 million euros**, +3.1% compared to 2021 (15,316 million euros). Excluding revenues from the Oi Group mobile business, acquired in Brazil, consolidated revenues would come to 15,640 million euros.

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

(million euros)	2022		2021		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	11,858	75.1	12,505	81.6	(647)	(5.2)	5.5
Brazil	3,963	25.1	2,840	18.5	1,123	39.5	19.2
Other Operations	—	—	—	—	—	—	—
Adjustments and eliminations	(33)	(0.2)	(29)	(0.1)	(4)	—	—
Consolidated Total	15,788	100.0	15,316	100.0	472	3.1	(0.3)

The organic change in the Group's consolidated revenues is calculated by excluding the effect of exchange rate changes¹ (+513 million euros), as well as any non-recurring items (0 million euros in 2022, 5 million euros in 2021).

Revenues for the fourth quarter of 2022 totaled 4,259 million euros (3,976 million euros in the fourth quarter of 2021).

TIM Group EBITDA for 2022 came to **5,347 million euros** (5,080 million euros in 2021, +5.3% in reported terms, -6.7% in organic terms). Excluding the results of the Oi Group mobile business acquired in Brazil, consolidated EBITDA would come to 5,238 million euros.

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

(million euros)	2022		2021		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	3,519	65.8	3,730	73.4	(211)	(5.7)	(14.3)
% of Revenues	29.7	—	29.8	—	—	(0.1)pp	(3.6)pp
Brazil	1,839	34.4	1,362	26.8	477	35.0	16.4
% of Revenues	46.4	—	48.0	—	—	(1.6)pp	(1.2)pp
Other Operations	(12)	(0.2)	(12)	(0.2)	—	—	—
Adjustments and eliminations	1	—	—	—	1	—	—
Consolidated Total	5,347	100.0	5,080	100.0	267	5.3	(6.7)

EBITDA for 2022 suffers the impact of non-recurring net charges for a total of 682 million euros (1,144 million euros in 2021, including 1 million euros for the exchange effect).

In detail:

¹ The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 5.43993 in 2022 and 6.35936 in 2021 for the Brazilian real. For the US dollar, the average exchange rates used were 1.05335 in 2022 and 1.18285 in 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.

(million euros)	2022	2021
Non-recurring expenses (income)		
Revenues		
Revenue adjustments	—	5
Other income		
Recovery of operating expenses	(23)	(13)
Acquisition of goods and services and Change in inventories		
Expenses related to agreements and the development of non-recurring projects	56	50
Employee benefits expenses		
Charges connected to corporate reorganization/restructuring and other costs	572	367
Other operating expenses		
Sundry expenses and provisions	77	735
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	682	1,144

Specifically, non-recurring events for the year 2022 included:

- 572 million euros in employee benefits expenses mainly relating to corporate reorganization/restructuring processes related to outgoing managerial and non-managerial staff, also envisaged in accordance with the application of Art. 4 of Italian Law no. 92 of June 28, 2012 and the former Art. 41, subsection 5bis, of Italian Legislative Decree no. 148/2015, as per agreements signed during the year, with the trade unions and referring entirely to the Italian companies of the Domestic Business Unit);
- 56 million euros mainly for non-recurring expenses associated with agreements and the development of corporate transformation and expansion projects in Italy and Brazil;
- 77 million euros of other operating expenses primarily as provisions for disputes, settlements, regulatory sanctions and potential liabilities related to them, including approximately 40 million euros relating to a provision for onerous contracts relating to a multi-year agreement stipulated in 2021 which committed the Company to minimum purchases and the total estimated cost of which for the residual duration of the agreement became apparent in 2022;
- 23 million euros in income for recovery of operating expenses.

In 2021, net non-recurring charges recorded by the TIM Group included:

- 735 million euros in other operating expenses, mainly referring to provisions made for disputes, transactions, regulatory sanctions and related potential liabilities as well as expenses connected with the COVID-19 emergency for provisions made as a consequence of the worsening of the expected credit losses of Corporate customers, connected with the expected evolution of the pandemic.

Amongst the Other operating expenses - Sundry expenses and provisions, the amount included 548 million euros for the posting of a Contractual Risk Provision for Onerous Contracts (IAS 37) relating to certain contracts for the offer of multimedia content connected with the partnerships currently in place.

- 367 million euros in employee benefit expenses mainly connected with business reorganization/restructuring processes following the application of art. 4 of Law no. 92 of June 28, 2012, as defined in the trade union agreements signed between the some of the Group companies, including the Parent Company TIM S.p.A. and the trade unions;
- 50 million euros for expenses related to agreements and the development of non-recurring projects, as well as costs for purchases relating to supplies that became necessary for the management of the health emergency;
- 8 million euros in net income for adjustments to revenues and the recovery of operating expenses.

Organic EBITDA - net of the non-recurring items amounted to **6,029 million euros**; the EBITDA margin was 38.2% (6,459 million euros in 2021, with an EBITDA margin of 40.8%).

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

(million euros)	2022	2021	Changes	
			absolute	%
EBITDA	5,347	5,080	267	5.3
Foreign currency financial statements translation effect		235	(235)	
Non-recurring expenses (income)	682	1,143	(461)	
Effect of translating non-recurring expenses (income) in currency		1	(1)	
ORGANIC EBITDA - excluding non-recurring items	6,029	6,459	(430)	(6.7)
% of Revenues	38.2	40.8	(2.6)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 5,683 million euros in 2022.

The EBITDA of the fourth quarter of 2022 totaled 1,402 million euros (731 million euros in the fourth quarter of 2021).

Organic EBITDA net of the non-recurring items in the fourth quarter of 2022 totaled 1,490 million euros (1,451 million euros in the fourth quarter of 2021).

The TIM Group **headcount** at December 31, 2022 was **50,392**, including 40,752 in Italy (51,929 at December 31, 2021, including 42,347 in Italy).

Capital expenditures and expenses for mobile telephone licenses/spectrum for 2022 were 4,077 million euros (4,630 million euros in 2021).

Capex is broken down as follows by operating segment:

(million euros)	2022		2021		Change
		% weight		% weight	
Domestic	3,207	78.7	3,377	72.9	(170)
Brazil	870	21.3	1,253	27.1	(383)
Other Operations	—	—	—	—	—
Adjustments and eliminations	—	—	—	—	—
Consolidated Total	4,077	100.0	4,630	100.0	(553)
% of Revenues	25.8		30.2		(4.4)pp

In particular:

- the **Domestic Business Unit** reports capital expenditures of 3,207 million euros, with a significant portion intended for the development of FTTC/FTTH networks (including 80 million euros for the acquisition of telecommunications licenses), down by 170 million euros compared to 2021, mainly due to the streamlining and prioritization of spending implemented by the Business Unit.
- the **Brazil Business Unit** posted capital expenditures in 2022 of 870 million euros (1,253 million euros for 2021). Excluding the impact of changes in exchange rates (+211 million euros), capex decreased by 594 million euros on the previous year. More specifically, capex for 2021 included the acquisition of frequencies for 5G services (564 million euros). Technological investments represent 91% of total capex and were mainly driven by mobile Broadband coverage to achieve completion of 100% of Brasil municipalities, by the significant coverage of capitals with new 5G SA technology and by the full completion of Oi infrastructure integration. Besides Mobile core business expansion, the Business Unit continued to develop the Ultrabroadband residential business with FTTH technology (UltraFibre).

The **Group Operating Free Cash Flow** for 2022 amounted to -0.6 billion euros (cash absorption) (+1.4 billion euros in 2021). Excluding the impact deriving from the payments made for the acquisition of rights of use of telecommunications service frequencies in Italy and Brazil, operating cash generation came to +1.6 billion euros (+1.9 billion euros in 2021).

The **Group Equity Free Cash Flow** for 2022 amounted to +0.6 billion euros (+0.6 billion euros in 2021).

The **Group Equity Free Cash Flow After Lease** for 2022, just like in 2021, was essentially nil.

Adjusted net financial debt amounted to 25,364 million euros at December 31, 2022, **an increase of 3,177 million euros compared to December 31, 2021** (22,187 million euros). This increase is attributable on the one hand to the positive effect of:

- the aforementioned cash flow from operative-financial management;
- the coverage of a total of 1,184 million euros due to the sale of 41% and the consequent deconsolidation of the holding company Daphne 3, which holds a 30.2% share in Infrastrutture Wireless Italiane ("INWIT").

which were offset by the impacts related to:

- the acquisition in Brazil of the mobile business of the Oi Group for a total of 1,874 million euros;
- the payment of telecommunications frequencies and related commitments in Italy and Brazil for 2,242 million euros;
- the accounting impact of the renegotiation of IFRS 16 lease contracts, 827 million euros net of IFRS 16 lease contracts considered in the Oi acquisition value (557 million euros);

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)	12/31/2022 (a)	12/31/2021 (b)	Change (a-b)
Net financial debt carrying amount	25,370	22,416	2,954
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	(6)	(229)	223
Adjusted Net Financial Debt	25,364	22,187	3,177
<i>Leases</i>	(5,349)	(4,614)	(735)
Adjusted Net Financial Debt - After Lease	20,015	17,573	2,442

Net financial debt carrying amount amounted to 25,370 million euros at December 31, 2022, an increase of 2,954 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 223 million euros, essentially following the greater impact of the rise in Euro interest rates with respect to USD rates, which effectively revalue the cash flow hedges. This change is adjusted by the booked Net Financial Debt with no monetary effect.

Adjusted Net Financial Debt – After Lease (net of lease contracts), which is a parameter adopted by main European peers, was equal to 20,015 million euros at December 31, 2022, up by 2,442 million euros compared to December 31, 2021 (17,573 million euros).

In the fourth quarter of 2022, **adjusted net financial debt** decreased by 140 million euros compared to September 30, 2022 (25,504 million euros).

(million euros)	12/31/2022 (a)	9/30/2022 (b)	Change (a-b)
Net financial debt carrying amount	25,370	25,499	(129)
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	(6)	5	(11)
Adjusted Net Financial Debt	25,364	25,504	(140)
<i>Breakdown as follows:</i>			
Total adjusted gross financial debt	31,682	32,671	(989)
Total adjusted financial assets	(6,318)	(7,167)	849

The TIM Group's available **liquidity margin** amounted to 9,001 million euros, equal to the sum of:

- "Cash and cash equivalents" and "Current securities other than investments" for a total of 5,001 million euros (9,153 million euros at December 31, 2021), also including 494 million euros in repurchase agreements expiring by February 2023;
- Sustainability-linked Revolving Credit Facility amounting to 4,000 million euros, totally available.

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

Preliminary results of the Business Units

Domestic

Domestic Business Unit revenues amounted to 11,858 million euros, down 647 million euros (-5.2%) compared to 2021. In organic terms, they reduce by 685 million euros (-5.5% on 2021).

Revenues from stand-alone services came to 10,799 million euros (-384 million euros compared to 2021, -3.4%) 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 422 million euros compared to 2021 (-3.8%).

In detail:

- **revenues from stand-alone Fixed market services** amounted to 8,276 million euros in organic terms, with a negative change with respect to 2021 (-3.8%) mainly due to the decrease in accesses and ARPU levels and the presence in 2021 of non-repeatable transactions on the Wholesale segment, partly offset by the growth in revenues from ICT solutions (+308 million euros compared to 2021, +22.7%);
- **revenues from stand-alone Mobile market services** came to 3,060 million euros (-91 million euros on 2021, -2.9%), 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 1,059 million euros in 2022, a decrease of 263 million euros compared to 2021, for the most part attributable to the Fixed Retail segment.

Note that revenues for 2022 include approximately 50 million euros relating to a portion of the commercial agreement signed in 2022 by TIM and FiberCop with Open Fiber, which requires Open Fiber to purchase from FiberCop, in the so-called white areas, the right of use (IRU) for overhead infrastructure and access connections to the customer's home.

As regards the market segments of the Domestic Business Unit, note the following changes compared to 2021:

- **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 4,736 million euros (-527 million euros, -10.0%) and show a trend, compared to 2021, affected by the challenging competition. The trend seen in total revenues also applied to revenues from services, which amounted to 4,231 million euros, down by 339 million euros compared to 2021 (-7.4%).

In particular:

- **revenues from Mobile services** totaled, in organic terms, 1,885 million euros (-120 million euros, -6.0% compared to 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, 2,369 million euros (-231 million euros, -8.9% compared to 2021), primarily due to lower ARPU levels and the smaller customer base, which in 2021 benefited from government incentive programs such as voucher recognition for ISEE incomes below 20,000 euros. Growth in Ultrabroadband customers is highlighted.

Revenues for Handsets and Bundles & Handsets in the Consumer segment amounted to 505 million euros, down 188 million euros compared to 2021 (-27.1%); the difference is mainly due to the end of the phase 1 voucher program, with a reduction of sales of PCs and Tablets.

- **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, Telsy and the Noovle Group): in organic terms, revenues for the Business segment amounted to 4,144 million euros (+27 million euros compared to 2021, +0.6%, of which +2.7% for revenues from the stand-alone services component). In particular:

- **total Mobile revenues** showed an organic performance in line with 2021 as did revenues from stand-alone services;
- **total Fixed revenues** changed by +27 million euros compared to 2021 (+0.8%); revenues from services grew by +3.4%, 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 year 2022 reached 1,948 million euros, down by 159 million euros (-7.6%) compared to 2021, with a negative performance mainly driven by the presence, in 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 2022 in the Wholesale International Market came to 992 million euros, down compared to 2021 (-16 million euros, -1.6%), mainly due to the decrease in one-offs compared to 2021. The mix of revenues records a growth in recurring data revenues (with high margins) flanked by a strategy seeking to rationalize voice revenues.

Domestic Business Unit EBITDA for 2022 totaled 3,519 million euros (-211 million euros compared to 2021, -5.7%), with an EBITDA margin of 29.7% (-0.1 percentage points compared to 2021).

Organic EBITDA, net of the non-recurring items, amounted to 4,174 million euros (-698 million euros compared to 2021, -14.3%). In particular, EBITDA for 2022 was impacted by non-recurring items in the amount of 655 million euros, whilst the year 2021 reflected a total impact of 1,137 million euros referring to non-recurring items, of which 26 million euros related to the COVID-19 emergency in Italy.

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

(million euros)	2022	2021	Changes	
			absolute	%
EBITDA	3,519	3,730	(211)	(5.7)
Foreign currency financial statements translation effect		5	(5)	
Non-recurring expenses (Income)	655	1,137	(482)	
ORGANIC EBITDA - excluding non-recurring items	4,174	4,872	(698)	(14.3)

EBITDA in the fourth quarter of 2022 was 878 million euros, (+527 million euros compared with the corresponding period of 2021).

Organic EBITDA excluding the use of the risk provisions for onerous contracts came to 3,828 million euros in 2022.

Headcount at December 31, 2022 stood at 40,984 (42,591 as of December 31, 2021).

Brazil (average real/euro exchange rate 5.43993)

Revenues for 2022 of the **Brazil Business Unit (TIM Brasil group)** amounted to 21,531 million reais (18,058 million reais in 2021, +19,2%). Excluding revenues from the mobile business of the Oi Group (Cozani, acquired on April 20, 2022) revenues for the year 2022 are 20,759 million reais.

The acceleration has been determined by **service revenues** (20,829 million reais vs 17,497 million reais in 2021, +19.0%) with mobile service revenues growing 19.8% on 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 7.6% compared to 2021, determined above all by the growth rate of TIM Live.

Revenues from product sales totaled 702 million reais (561 million reais in 2021).

Revenues in the fourth quarter of 2022 totaled 5,825 million reais, increased by 21.4% on the fourth quarter of 2021 (4,799 million reais). Excluding the revenues of Cozani, revenues of the fourth quarter of 2022 grew by 1,204 million reais (25.1%).

Mobile ARPU for 2022 was 26.1 reais (26.4 reais in 2021). The reduction is connected with the acquisition of the Oi Group customer base.

Total mobile lines in place at December 31, 2022 amounted to 62.5 million, +10.4 million compared to December 31, 2021 (52.1 million), mainly following the acquisition of the Cozani customer base. This overall increase came from the pre-paid segment (+6.0 million), and the post-paid segment (+4.4 million) and connected with the acquisition of the Oi Group customer base. Post-paid customers represented 43.6% of the customer base as of December 31, 2022 (43.9% at December 2021).

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

EBITDA in 2022 was 9,993 million reais (8,661 million reais in 2021, 15.4%) and the margin on revenues amounted to 46.4% (48.0% in 2021).

EBITDA in 2022 reflects the non-recurring charges of 128 million reais mainly related to the development of non-recurring projects and the corporate reorganization processes.

Organic EBITDA, net of the non-recurring items, increased by 16.4% and was calculated as follows:

(million Brazilian reais)	2022	2021	Changes	
			absolute	%
EBITDA	9,993	8,661	1,332	15.4
Non-recurring expenses (income)	128	36	92	
ORGANIC EBITDA - excluding non-recurring items	10,121	8,697	1,424	16.4

The increase of EBITDA is due to the greater revenues as well as the consolidation of Cozani (579 million reais).

The relative margin on revenues, in organic terms, comes to 47.0% (48.2% in 2021).

EBITDA for the fourth quarter of 2022, amounted to 2,824 million reais, up 16.3% compared to the fourth quarter of 2021 (2,429 million reais).

Net of non-recurring charges, the margin on revenues for the fourth quarter of 2022 was 49.1% (50.9% in the fourth quarter of 2021).

Headcount at December 31, 2022 stood at 9,395 (9,325 as of December 31, 2021).

TIM S.p.A. preliminary results

2022 revenues came to 12,098 million euros (12,397 million euros in 2021), with a decrease of 299 million euros or -2.4%.

Revenues from stand-alone services amounted to 10,393 million euros (-264 million euros compared to 2021, -2.5%) and reflect the impacts of the competition on the customer base and a reduction in ARPU levels. In particular, both revenues from Mobile market stand-alone services (-68 million euros on the previous year, -2.2%), and revenues from the Fixed market stand-alone services (-196 million euros compared to the previous year, -2.6%) dropped, due to the worsening of the Retail segment.

Revenues from Handsets and Bundles & Handsets, including the change in work in progress, amounted to 1,711 million euros in 2022, down 35 million euros compared to 2021, mainly due to a drop in Mobile market sales revenues.

2022 **EBITDA** was 2,086 million euros (2,637 million euros in 2021), with an EBITDA margin of 17.2%, down 4.1 percentage points on 2021 (21.3%).

Organic EBITDA - net of the non-recurring items - amounted to 2,706 million euros; the EBITDA margin was 22.4% (30.4% in 2021) and records a reduction of 1,065 million euros compared to 2021. In 2022, TIM S.p.A. recorded net non-recurring charges in the total amount of 620 million euros.

Non-recurring charges include, among others, provisions for disputes, transactions and regulatory sanctions and potential liabilities related to them, liabilities with customers and/or suppliers and provisions for onerous contracts, as well as charges associated with corporate reorganization/restructuring.

In 2021, TIM S.p.A. recognized net non-recurring charges totaling 1,134 million euros, connected with corporate reorganization/restructuring processes and provisions for disputes, regulatory sanctions and potential liabilities related to liabilities with customers and/or suppliers and to charges related to corporate reorganization/restructuring as well as to the adjustments to revenues from previous years.

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)	4th Quarter 2022	4th Quarter 2021	Changes		2022	2021	Changes	
			absolute	%			absolute	%
ORGANIC EBITDA - excluding non-recurring items	1,490	1,451	39	2.7	6,029	6,459	(430)	(6.7)
Lease payments	(280)	(225)	(55)	(24.4)	(1,034)	(871)	(163)	(18.7)
EBITDA After Lease (EBITDA-AL)	1,210	1,226	(16)	(1.3)	4,995	5,588	(593)	(10.6)

EBITDA AFTER LEASE - DOMESTIC

(million euros)	4th Quarter 2022	4th Quarter 2021	Changes		2022	2021	Changes	
			absolute	%			absolute	%
ORGANIC EBITDA - excluding non-recurring items	959	1,001	(42)	(4.2)	4,174	4,872	(698)	(14.3)
Lease payments	(131)	(128)	(3)	(2.3)	(512)	(509)	(3)	(0.6)
EBITDA After Lease (EBITDA-AL)	828	873	(45)	(5.2)	3,662	4,363	(701)	(16.1)

EBITDA AFTER LEASE - BRAZIL

(million euros)	4th Quarter 2022	4th Quarter 2021	Changes		2022	2021	Changes	
			absolute	%			absolute	%
ORGANIC EBITDA - excluding non-recurring items	531	455	76	16.9	1,863	1,599	264	16.4
Lease payments	(149)	(97)	(52)	(53.6)	(522)	(362)	(160)	(44.2)
EBITDA After Lease (EBITDA-AL)	382	358	24	7.6	1,341	1,237	104	8.5

ADJUSTED NET FINANCIAL DEBT AFTER LEASE - TIM GROUP

(million euros)	12/31/2022	12/31/2021	Change
Adjusted Net Financial Debt	25,364	22,187	3,177
Leases	(5,349)	(4,614)	(735)
Adjusted Net Financial Debt - After Lease	20,015	17,573	2,442



EBITDA ADJUSTED AFTER LEASE TIM S.p.A.

(million euros)	2022	2021	Changes	
			absolute	%
ORGANIC EBITDA - excluding Non-recurring items	2,706	3,771	(1,065)	(28.2)
Lease payments	(495)	(503)	8	(1.6)
EBITDA adjusted After Lease (EBITDA-AL)	2,211	3,268	(1,057)	(32.3)

ADJUSTED NET FINANCIAL DEBT AFTER LEASE TIM S.p.A.

(million euros)	12/31/2022	12/31/2021	Change
Adjusted Net Financial Debt	21,709	20,612	1,097
Leases	(3,006)	(3,127)	121
Adjusted Net Financial Debt - After Lease	18,703	17,485	1,218



EVENTS SUBSEQUENT TO DECEMBER 31, 2022

TIM successfully placed an 850 million euro bond with 5-year maturity

See the press release issued on January 20, 2023.

TIM: received from KKR a non-binding offer for the purchase of Netco

See the press releases issued on February 2 and 6, 2023.



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