IMPORTANT NOTICE

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

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

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

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

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

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

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

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

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

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

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

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

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

TIM S.p.A.

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

€400,000,000 6.875 per cent. Notes due 15 February 2028 (to be consolidated and form a single series with the €850,000,000 6.875 per cent. Notes due 15 February 2028 issued on 27 January 2023)

Issue Price: 100.75 per cent. (plus 75 days' accrued interest in respect of the period from (and including) 27 January 2023 to (but excluding) the Further Notes Issue Date)

The €400,000,000 6.875 per cent. Notes due 15 February 2028 (the "**Further Notes**", to be consolidated and form a single series with the €850,000,000 6.875 per cent. Notes due 15 February 2028 (the "**Original Notes**" and, together with the Further Notes where the context so requires, the "**Notes**") are issued by TIM S.p.A. (the "**Issuer**" or "**TIM**"), and are intended to be consolidated and form a single series with the Original Notes which were issued on 27 January 2023 (the "**Original Issue Date**") and will be constituted by a trust deed (the "**Original Trust Deed**") dated 27 January 2023, as supplemented by the Supplemental Trust Deed to be dated 12 April 2023 (the "**Supplemental Trust Deed**" and, the Original Trust Deed as supplemented thereby, the "**Trust Deed**"), made between the Issuer and Deutsche Trustee Company Limited as trustee (the "**Trustee**", which expression shall include its successors as trustee for the holders of the Notes (the "**Noteholders**") for the time being). The Further Notes will be issued and the Supplemental Trust Deed will become effective on 12 April 2023 (the "**Further Notes Issue Date**"). The issue price of the Further Notes is 100.75 per cent. of their principal amount plus 75 days' accrued interest in respect of the period from (and including) 27 January 2023 to (but excluding) the Further Notes Issue Date.

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 15 February 2028 (the "**Maturity Date**"). The Notes are subject to redemption in whole, but not in part, at their principal amount, together (if appropriate) with accrued interest to (but excluding) the date of redemption, at the option of the Issuer at any time in the event the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*), subject as set out in Condition 6.2 (*Redemption for Taxation Reasons*). The Issuer may also, at its option and at any time on the relevant Optional Redemption Date, redeem the outstanding Notes, in whole or in part, at the Optional Redemption Amount, together with accrued interest to (but excluding) the relevant Optional Redemption Date (see Condition 6.3 (*Redemption at the Option of the Issuer (Make-Whole Call)*)). In addition, the Issuer may, on any one or more occasions, redeem up to 40 per cent. of the aggregate principal amount of the Notes originally issued at a redemption price equal to 106.875 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant Interest Payment Date), with the net cash proceeds of an Equity Offering as further described in Condition 6.6 (*Redemption at the Option of the Issuer (Equity Offering)*). The Issuer may also redeem all outstanding Notes on the date falling 90 days prior to the Maturity Date at their outstanding principal amount pursuant to Condition 6.4 (*Redemption at the Option of the Issuer (Issuer Maturity Par Call)*).

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

The Notes bear interest from and including the Original Issue Date (as defined above) to but excluding the Maturity Date at the rate of 6.875 per cent. *per annum*, payable semi-annually in arrear on 15 February and 15 August in each year, commencing on 15 August 2023, as described in Condition 4 (*Interest*). Payments on the Notes will be made in Euro without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under Condition 7 (*Taxation*).

The Notes and the Coupons relating to them are unconditional, unsubordinated and (subject to the provisions of Condition 3.1 (Restrictions on Security Interests)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save as aforesaid and for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

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

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

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

An investment in Further Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "*Risk Factors*" beginning on page 29.

Application has been made for the Further Notes to be admitted to listing on the official list (the "**Official List"**) of the Luxembourg Stock Exchange and trading on the professional segment of its Euro MTF Market. The Luxembourg Stock Exchange's Euro MTF Market is not a regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**). This Information Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated 16 July 2019 (the "**Luxembourg Prospectus Law"**) but is not a prospectus published in accordance with the requirements of Regulation (EU) 2017/1129 as amended (the "**Prospectus Regulation**").

The Original Notes are rated B1, LGD4 - 51% by Moody's Italia S.r.l. ("**Moody's**"), B+ and a recovery rating of 3(50%) by S&P Global Ratings Europe Limited ("**S&P**") and BB- and a recovery rating of RR4 by Fitch Ratings Ireland Limited ("**Fitch**") and the Further Notes are also expected to be rated B1, LGD4 - 51% by Moody's, B+ and a recovery rating of 3(50%) by S&P and BB- and a recovery rating of RR4 by Fitch. Each of Moody's, S&P and Fitch is established and operating in the European Union and are registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, Moody's, S&P and Fitch are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Accordingly, the ratings of the Notes issued by Moody's, S&P and Fitch have been endorsed by Fitch Ratings Ltd, Moody's Investors Service Limited and S&P Global Ratings UK Limited, respectively, in accordance with the Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") and have not been withdrawn. As such, the ratings issued by each of Fitch, Moody's and S&P may be used for regulatory purposes in the United Kingdom in accordance with the UK CRA Regulation.

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

The Further Notes will be in bearer form and will initially be represented by a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or prior to the Further Notes Issue Date with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**"), without interest coupons, on or after a date which is expected to be 22 May 2023 (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances (see "*Summary of Provisions Relating to the Further Notes While Represented by the Global Notes*" below).

Global Coordinator and Physical Bookrunner

Goldman Sachs International

The date of this Information Memorandum is 6 April 2023.

NOTICE TO INVESTORS

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

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

This Information Memorandum is to be read and construed in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Incorporation by Reference*"). This Information Memorandum shall be read and construed on the basis that such documents are incorporated by reference in, and form part of, this Information Memorandum.

Other than in relation to the documents which are to be incorporated by reference (see "*Incorporation by Reference*"), the information on the websites to which this Information Memorandum refers does not form part of this Information Memorandum.

Save for the Issuer, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Goldman Sachs International (the "**Global Coordinator and Physical Bookrunner**" or "**Physical Bookrunner**") or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Information Memorandum or any other information provided by the Issuer in connection with the Further Notes. Neither the Physical Bookrunner nor the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Information Memorandum or any other information provided by the Issuer in connection with the Further Notes.

Neither the Physical Bookrunner nor any of its affiliates have authorised the whole or any part of this Information Memorandum and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Information Memorandum or any responsibility for any acts or omissions of the Issuer or any other person in connection with the issue and offering of the Further Notes.

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

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

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of the Further Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the Further Notes is correct as at any time subsequent to the date indicated in the document containing the same. The Physical Bookrunner and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Further Notes or to advise any investor in the Further Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase any Further Notes.

The Further Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and are subject to U.S. tax law requirements. For a further description of certain restrictions on the offering and sale of the Further Notes and on the distribution of this document, see "*Subscription and Sale and Transfer and Selling Restrictions*".

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

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

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

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS

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

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

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

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

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

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE "SFA") AND THE SECURITIES AND FUTURES (CAPITAL MARKETS PRODUCTS) REGULATIONS 2018 OF SINGAPORE (THE "CMP REGULATIONS 2018")

The Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA), that all Further Notes issued shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

General Information on Financial Statements

Unless otherwise indicated, the financial information in this Information Memorandum relating to TIM and its consolidated subsidiaries (the "**TIM Group**" or the "**Group**") has been derived from the audited consolidated financial statements of the TIM Group as of and for the financial years ended 31 December 2022, 2021 and 2020 (the "**Audited Consolidated Financial Statements**").

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

The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the EU ("**IFRS**").

In 2022, the TIM Group applied the accounting policies on a basis consistent with those of the previous years, except for the changes to the accounting standards issued by the IASB and in force as of 1 January 2022 and described in the section "*New standards and interpretations endorsed by EU and in force from 1 January 2022*" of the Audited Consolidated Financial Statements as at and for the year ended 31 December 2022, incorporated by reference herein.

During the fourth quarter of 2021, TIM refined some aspects of the booking of certain commercial agreements concerning the sale of goods with deferred delivery. This refinement entailed, for the first, second and third quarters of 2021, the redetermination of the distribution over time of revenues and acquisition of goods and services. In connection with the foregoing, the economic data of the first, second and third quarters of 2021, has been recalculated. For further detail, please see the Audited Consolidated Financial Statements as at and for the year ended 31 December 2021, incorporated by reference herein.

On 1 January 2019, IFRS 16 (Leases) ("**IFRS 16**") became effective and was adopted by the TIM Group with the modified retrospective method (without the restatement of comparative financial information of previous years), fully replacing IAS 17 (Leases). In accordance with IFRS 16, lease liabilities are presented through the recognition of a financial liability in the statement of financial position consisting in the present value of future lease payments, against the recognition of the right of use of the leased asset. The application of IFRS 16 determines lower operating costs and higher amortisation/depreciation and financial charges in comparison with IAS 17 which required the recognition of operating costs for non-financial leases. Further details are provided in the Note "Accounting Policies" to the TIM Group Audited Consolidated Financial Statements as at and for the year ended 31 December 2020. See also *"—Alternative Performance Measures—Alternative Performance Measures after lease*" below.

Appendix 1 – Overview of Key Operating and Financial Data for the Year ended 31 December 2022

Appendix 1 contains an overview of certain key operating and financial data as at and for the year ended 31 December 2022 and is based on the information included in the Report on operations of the Audited Consolidated Financial Statements as at and for the year ended 31 December 2022.

Appendix 2 – Overview of Key Operating and Financial Data for the Year ended 31 December 2021

Appendix 2 contains an overview of certain key operating and financial data as at and for the year ended 31 December 2021 and is based on the information included in the Report on operations of the Audited Consolidated Financial Statements as at and for the year ended 31 December 2021.

Appendix 3 – Overview of Key Operating and Financial Data for the Year ended 31 December 2020

Appendix 3 contains an overview of certain key operating and financial data as at and for the year ended 31 December 2020 and is based on the information included in the Report on operations of the Audited Consolidated Financial Statements as at and for the year ended 31 December 2020.

Industry and market Data

In this Information Memorandum, the Issuer relies on and refers to information regarding the Group's business and the markets in which it operates and competes. The market data and certain economic and industry data and forecasts used in this Information Memorandum were obtained from internal surveys, market research, governmental reports and other publicly-available information and third party consultants.

In addition, in many cases, the Issuer has made statements in this Information Memorandum regarding the economy, the telecommunications industry, the Group's position in the industry, its market share and the market shares of various industry participants based on internal estimates, its experience, its own investigation of market conditions and its review of industry publications, including information made available to the public by its competitors.

The Issuer cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect the Group's position in the industry and none of its internal surveys or information has been verified by any independent third parties. None of the Issuer, any other member of the Group or the Physical Bookrunner makes any representation or warranty as to the accuracy or completeness of this information.

The subscriber data included in this Information Memorandum, including penetration rates, average mobile revenue per user ("**ARPU**"), subscriber numbers, the Group's market share and churn rates are derived from management estimates, are not part of the Issuer's or the Group's financial statements or financial accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. The Issuer's use or computation of the terms ARPU or churn may not be comparable to the use or computation of similarly titled measures reported by other companies in the telecommunications industry. ARPU is a non-IFRS measure and should not be considered in isolation or as an alternative measure of the Issuer's or the Group's performance under IFRS. Management believes that ARPU provides useful information concerning the appeal and usage patterns of the

Group’s tariff plans and service offerings and its performance in attracting and retaining high-value subscribers of its services.

Churn

“Churn” refers to the percentage of subscriber disconnections. The Group deems mobile subscribers to have churned when their mobile service with us is disconnected (whether resulting from a subscriber decision or a decision by the Group).

The Group calculates the churn rate by dividing the number of disconnections of subscribers during a period by the average number of subscribers during the same period. The definition of churn may vary between operators. A churn policy that is more expansive in its determination of when a subscriber is deemed to have churned may result in a reduction of the number reported for total subscribers, an increase in churn rate and potentially higher ARPU. As a result, such data and any related comparisons of the Group to other operators included in this Information Memorandum may not accurately reflect the Group’s competitive position and the competitive positions of such other operators.

Penetration Rates

“Penetration” refers to the measurement, usually as a percentage, of the take-up of the relevant telecommunications services. As of any date, it represents the number of people (or subscribers) who acquire goods and/or services of a particular brand or a particular category, divided by the population where the service is available.

General

Certain figures and percentages included in this Information Memorandum have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Alternative Performance Measures

In addition to the conventional financial performance measures established by IFRS, the TIM Group uses certain alternative performance measures (“**APMs**” or “**Alternative Performance Measures**”) for the purposes of enabling a better understanding of the performance of its operations and its financial position. These indicators represent a useful unit of measurement for assessing the operating performance of the Group (as a whole and at Business Unit level).

Such measures should, however, not be considered as a substitute for those prepared in accordance with IFRS. As these measures are not defined by IFRS, they may be calculated differently from the alternative performance measures published by other companies and therefore comparability between companies may be limited.

The Alternative Performance Measures used in this Information Memorandum are described below.

- *EBIT/EBITDA*: these indicators are used by TIM as a financial target. These measures are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of losses (profits) of associates and joint ventures accounted for using the equity method
EBIT – Operating profit (loss)	
+/-	Impairment losses (reversals) on non-current assets

+/-	Losses (gains) on disposals of non-current assets
+	Depreciation and amortization
EBITDA – Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets	

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

- *EBITDA margin and EBIT margin*: TIM believes that these margins represent useful indicators of the ability of the Group (as a whole and at Business Unit level) to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted into EBITDA and EBIT, respectively.

- *Net Financial Debt*: TIM believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. The TIM Group presents a table showing the amounts taken from the statements of financial position and used to calculate the Net Financial Debt of the Group.

  To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed "Net financial debt carrying amount"), the TIM Group reports a measure called "Adjusted net financial debt", which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

  Net financial debt is calculated as follows:

+	Non-current financial liabilities
+	Current financial liabilities
+	Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale
A)	Gross financial debt
+	Non-current financial assets
+	Current financial assets
+	Financial assets relating to Discontinued operations/Non-current assets held for sale
B)	Financial assets
C=(A - B)	Net financial debt carrying amount
D)	Reversal of fair value measurement of derivatives and related financial liabilities/assets
E=(C + D)	Adjusted Net Financial Debt

- *Equity Free Cash Flow (EFCF)*: this financial measure represents the free cash flow available for the remuneration of own capital, to repay debt and to cover any financial investments and payments of licenses and frequencies. In particular, the indicator highlights the change in adjusted net financial debt without considering the impacts of payment of dividends, changes in equity, acquisitions/disposals of equity investments, outlay for the purchase of licenses and frequencies, increases/decreases of finance lease liabilities payable (new lease operations, renewals and/or extensions, cancellations/early extinguishing of leases).

  The Equity Free Cash Flow measure is calculated as follows:

	Reduction/(Increase) in adjusted net financial debt from continuing operations
+/-	Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+))
-	Payment of TLC licenses and for the use of frequencies
+/-	Financial impact of acquisitions and/or disposals of investments
-	Dividend payment and Change in Equity
	Equity Free Cash Flow

- *Capital expenditures (net of spectrum)*: this financial measure represents capital expenditures less capital expenditures on an accrual basis on TLC licenses for the use of frequencies.

Alternative Performance Measures after lease

The TIM Group presents the following additional alternative performance measures:

- EBITDA After Lease ("**EBITDA-AL**"), calculated by adjusting EBITDA by the amounts connected with the accounting treatment of the lease contracts;

- Organic EBITDA After Lease ("**Organic EBITDA-AL**"), calculated by adjusting the Organic EBITDA, net of the non-recurring items, by the amounts connected with the accounting treatment of the lease contracts;

- Adjusted net financial debt After Lease, calculated by excluding from the adjusted net financial debt the net liabilities related to the accounting treatment of lease contracts. TIM believes that the Adjusted net financial debt After Lease represents an indicator of the ability to meet its financial obligations;

- Equity Free Cash Flow After Lease, calculated by excluding from the Equity Free Cash Flow the amounts related to lease payments. In particular, this measure is calculated as follows:

+	Equity Free Cash Flow
-	Principal share of lease payments

This measure is a useful indicator of the ability to generate Free Cash Flow.

- *Operating Free Cash Flow (OFCF) and Operating Free Cash Flow (net of licenses)*: these financial measures represents the free cash flow available to repay debt (including leases) and to cover any financial investments and, in the case of OFCF, payments of licenses and frequencies. The measures are not adjusted for lease payments.

The Operating Free Cash Flow and Operating Free Cash Flow (net of licenses) measures are calculated as follows:

	EBITDA – Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets
-	Capital expenditures on an accrual basis
+/-	Change in working capital (changes in inventories, trade receivables and other net receivables, trade payables, payables for mobile telephone licenses/spectrum, changes in operating receivables/payables, change in provisions for employee benefits, and operating provisions and Other changes)
	Operating Free Cash flow
-	Payment of TLC licenses and for the use of frequencies
	Operating Free Cash flow (net of licenses)

STABILISATION

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this Information Memorandum regarding the Group's business financial condition, results of operations and certain of the Group's plans, objectives, assumptions, expectations or beliefs with respect to these items and statements regarding other future events or prospects are forward-looking statements. These statements include, without limitation, those concerning: the Group's strategy and the Group's ability to achieve it; expectations regarding revenues, profitability and growth; plans for the launch of new services; the Group's possible or assumed future results of operations; research and development, capital expenditure and investment plans; adequacy of capital; and financing plans. The words "aim", "may", "will", "expect", "anticipate", "believe", "future", "continue", "help", "estimate", "plan", "intend", "should", "could", "would", "shall" or the negative or other variations thereof as well as other statements regarding matters that are not historical fact, are or may constitute forward-looking statements. In addition, this Information Memorandum includes forward-looking statements relating to the Group's potential exposure to various types of market risks, such as foreign exchange rate risk, interest rate risks and other risks related to financial assets and liabilities. These forward-looking statements have been based on the Group's management's current view with respect to future events and financial performance. These views reflect the best judgment of the Group's management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in such forward-looking statements and from past results, performance or achievements. Although the Group believes that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-thinking statements. Prospective investors are cautioned not to place undue reliance on these forward-looking statements. Neither the Issuer nor the Group undertakes any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof. Prospective purchasers are also urged carefully to review and consider the various disclosures made by the Issuer and the Group in this Information Memorandum which attempt to advise interested parties of the factors that affect the Issuer, the Group and their business, including the disclosures made under "*Risk Factors*" and "*The Issuer*".

The Issuer does not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Information Memorandum. As a result of these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements as a prediction of actual results or otherwise.

CERTAIN DEFINED TERMS

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

Capitalised terms which are used but not defined in any particular section of this Information Memorandum will have the meaning attributed to them in the terms and conditions of the Further Notes as set out in the section "*Conditions of the Further Notes*" below (the "**Conditions of the Further Notes**") or any other section of this Information Memorandum. In addition, the following terms as used in this Information Memorandum have the meanings defined below:

All references in this Information Memorandum document to *euro, Euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. Furthermore, all references to *$*, *dollar* or *U.S. dollar* refer to the lawful currency of the United States of America, to *£*, *Sterling* and *GPB* refer to the lawful currency of the United Kingdom and to *BRL* or *reais* refer to the lawful currency of Brazil.

References to a *billion* or *bn* are to a thousand million.

SUMMARY

The following summary may not contain all the information that may be important to prospective investors in the Further Notes. Before making an investment decision, prospective investors should read this entire Information Memorandum, including the "Risk Factors" section and the consolidated financial information, together with the related notes, incorporated by reference in this Information Memorandum.

OVERVIEW

The Group is a leading information and communications technology (ICT) provider in Italy and Brazil.

TIM offers to individuals and families services and products of mobile and fixed-line telephony, broadband and pay-TV for communication and entertainment. TIM accompanies small, medium and large enterprises, including public administrations, towards digitalization through a portfolio of connectivity and IT services tailored to their needs. TIM is the only infrastructure-based ICT player in Italy and benefits from a leading position in the Italian IT services market.

The TIM Group 2022-2024 industrial plan (the "**2022-2024 Industrial Plan**") announced in March 2022 launched a Group transformation aiming to overcome the vertically integrated model, based on four separate entities with different industrial and economic focuses. These four entities[1] are:

- *TIM Consumer*: covers all the fixed and mobile commercial activities in the Consumer and Small and Medium Business (SMB) retail market. It also includes the mobile network assets and service platforms.
- *TIM Enterprise*: includes all the commercial activities in the Enterprise market, the digital companies Noovle, Olivetti and Telsy and the assets relating to the data centers.
- *TIM NetCo*: includes the primary and secondary fixed network, as well as the domestic and international (Sparkle) wholesale businesses.
- *TIM Brasil*: a major subsidiary of TIM, is one of the main players in the South American telecommunications market and a leader in 4G coverage in that market.

The TIM Group Business Units described in the section "*The Issuer*" below (Domestic Business Unit, Brasil Business Unit and Other Operations Business Unit) are presented in line with the 2022 TIM Annual Report. As such, in such section, the Group's telecommunications business is presented geographically (i.e. Domestic and Brasil) and not in terms of the new organisational model to be implemented as envisaged under the 2022-2024 Industrial Plan.

On 14 February 2023 the Board of Directors approved TIM's 2023-2025 industrial plan (the "**2023-2025 Industrial Plan**") which continues the transformation process started in 2022. The new plan is consistent with the 2022-2024 Industrial Plan.

The 2023-2025 Industrial Plan envisages the following strategies for the four separate entities in the new corporate configuration:

[1] Aside from TIM Brasil which is an historical operating segment, these entities cannot currently be considered an "operating segment" in accordance with IFRS 8 - Operating segments, insofar as on the one hand, the new entities are still in an analytical design phase and do not, therefore, have analytical economic-financial information available and, on the other, the allocation of resources to each new entity and assessment of the economic and financial performance on both the basis of the historic representation of the Business Units and, insofar as available, the new entities being created is ongoing by TIM's management.

- *TIM Consumer*: initiatives continue to implement the premium positioning in a volume to value strategy, with the aim of differentiating TIM from the competition. TIM Consumer intends to continue the gradual repricing of the customer base, along with the introduction of inflation adjustment mechanisms.

- *TIM Enterprise*: targets growth above the reference market for 2023-2025, with a revenue CAGR of 6% over the plan period through increased standardisation and industrialisation of offers and the consolidation of a bundled offer for public sector customers.

- *TIM NetCo*: TIM's strategic priorities are to further roll-out fixed ultra-broadband infrastructure, which will also provide backhauling to the 5G network, and to further accelerate the migration of lines to FTTH technology. In the mobile segment, the priority is to maximise 5G coverage, which by 2025 targets reaching 90% of the population.

- *TIM Brasil*: the company continues to focus on a value strategy and benefits from additional growth impetus from the integration of Oi's assets, continuing on its path towards a 'Next Gen Telco'.

In developing its business, the TIM Group has adopted a sustainability strategy based on the objectives of climate strategy, the circular economy, digital growth and gender equality and aims to become carbon neutral in 2030 and achieve zero net emissions by 2040.

The Group also support projects of high social interest via TIM Foundation.

Key Strengths

TIM believes that it benefits from the following key strengths:

TIM is a leading player in the Italian telecommunications market, which benefits from improving competitive landscape.

TIM is a leading player in the Italian fixed, mobile and wholesale markets.

While the Italian telecommunications market (in both fixed and mobile segments) has experienced some price pressure as a result of years of competitive tension due to the elevated number of operators, further accelerated by the entrance of Iliad, the mobile and fixed markets are now showing clear signs of market rationality. This translates into lower churn rates and offers opportunities to upsell customers with "more for more" propositions. See also "—*Strong and resilient profitability profile with demonstrated resilience and upside potential underpinned by ongoing cost saving initiatives and improving market trends.*" Moreover, the telecommunications industry has proven to be resilient and essential for companies and consumers, including during the COVID-19 pandemic, as the industry continues to facilitate valuable activities such as remote working, e-schooling and virtual entertainment.

TIM competes in the underpenetrated Italian broadband market, where it sees considerable room for growth. Due to the lack of cable infrastructure and difficult morphology, only approximately 66% of Italian households have a broadband connection versus an average European penetration of approximately 78% as of 31 December 2021 (Source: "*Digital Economy and Society Index 2022*", EU Commission). This has resulted in FTTC connections, with average distance between cabinets and premises among the shortest in Europe ensuring high connection speeds, remaining resilient and highly cash generative in the Italian market, also in light of the limited alternatives available. As a result of this, the FTTH market in Italy also remains underpenetrated, at 9% as compared to an average of 31% across the European Union as at 30 September 2021 (Source: "*FTTH/B Market Panorama in Europe", 2022, FTTH Council Europe*).

In the consumer segment, TIM believes that the main drivers of data traffic growth include trends such as: the growing use of streaming platforms, online shopping, online banking applications, video-on-demand, as well as gaming and video activities. The growing adoption of these new applications was boosted by social distancing measures implemented during the COVID-19 lockdowns and the ensuing changes in work and life habits (e.g., remote working, home schooling, and greater adoption of virtual social interactions).

In the enterprise segment (mainly focused on large corporates and public administration), relevant drivers for data traffic growth include cloud, IoT, business continuity and security.

On the back of these long-term trends, data consumption in Italy is expected to continue growing, driven primarily by broadband connectivity usage. As reported by AGCOM, in the last 3 years alone, data traffic has, respectively, doubled and tripled on fixed and mobile as of 30 September 2022.

TIM also competes in the IT services, which has historically been underpenetrated compared to equivalent markets in other European countries. The increasing penetration of IT services in Italy is expected to accelerate as Italian companies increase their spending on IT services to improve their competitive advantage and keep pace with the global trend towards digitalisation. The Italian IT services markets are characterised by structural market dynamics which work against international competitors, mainly due to cultural and local commercial complexities, such as language, local regulatory constraints in many markets including banking, energy, and healthcare, the importance of local relationships and proximity to customers, which is particularly applicable to the public sector. As a result, TIM believes that such dynamics favour local players, thus allowing it to capitalise on its leading positioning in the IT services market, given its deep knowledge of the domestic market and long-lasting relationships with a wide cross-section of Italian customers and partners. Italian customers have also been shown to prefer IT service suppliers with whom they share a common language, that have extensive operations in Italy and that have an in-depth know-how of the applicable Italian legal and regulatory framework, which TIM believes makes entering the Italian telecommunications markets more challenging for international players. TIM considers that the growth of its TIM Enterprise underlying market is mainly driven by strong ongoing digitalisation across the Italian public and private sector institutions, with increased IT services spend on, and diversified growth of, new digital enabling technologies such as (i) IoT (which is expected to grow by a CAGR of approximately 8% between 2021 and 2030), (ii) cloud services (which is expected to grow by a CAGR of approximately 12% between 2021 and 2030), (iii) connectivity (which is expected to remain substantially stable between 2021 and 2030), and (iv) security (which is expected to grow by a CAGR of approximately 6% between 2021 and 2030).

In response to the COVID-19 pandemic, the European Union put in place a set of measures applicable to all member states in order to help them through the crisis and create a joint platform for economic and social recovery. The national recovery and resilience plan ("**NRRP**") presented by Italy provided for substantial investment and a set of reforms representing approximately €250 billion in total, which will be funded both at EU level and nationally. One of the plan's main objectives is the digital modernisation of Italy's communication infrastructure, both in public administration and the country's production system, in order to provide fast connectivity nationwide for individuals, businesses, schools and hospitals. The plan therefore comprises several measures to boost the creation of high-performance networks, notably fibre and 5G as well as satellite technologies, and simplifies the regulatory framework for their rollout. Under the NRRP, TIM has been assigned lots entailing the deployment of ultra-broadband infrastructure for a combined amount of €2.9 billion of investments until 2026. Out of the €2.9 billion in public investments, TIM will receive €2.3 billion of cash contributions until 2027. This will allow clear opportunities for TIM in the infrastructure development, digitisation and innovation fields. In particular, TIM was assigned 7 lots under the "Italia 1Giga" initiatives (representing approximately 1.2 million technical households), all available lots under the "5G Backhauling" initiative (representing over 11,000 mobiles sites) and "5G Coverage" initiative (representing over 1,200 mobile sites), 2 lots under the "Connected Healthcare" initiative (representing approximately

3,100 healthcare facilities) and 4 lots under the "Connected Schools" initiative (representing approximately 5,900 schools).

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

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

TIM benefits from a leading position across fixed and mobile markets in Italy, with a retail market share of 28.5% in mobile (includes mobile voice and mobile broadband) as compared to 27.6%, 24.2% and 8.7% for the next three competitors and 41.9% in fixed (retail, includes voice and fixed broadband) as compared to 16.2%, 14.3% and 14.1% for the next three competitors as of 30 September 2022. TIM's service offering is best in class with broadband speeds of up to 10 Gbps, fully flexible TV packages including streaming services, and a wide range of data packages available in mobile, with speeds of up to 2 Gbps on 5G.

TIM is the only infrastructure-based ICT player in Italy and benefits from a leading position in the Italian IT services market for large enterprise and is uniquely positioned in the Public Administration segment through TIM Enterprise. In 2022, TIM was one of the leading ICT providers for large enterprises with 40% market share in Connectivity[2] and more than 10% in IT services[3] in Italy as at 31 December 2022. TIM is also a clear leader and has a unique position in the provision of services for its public administration segment to approximately 25,000 clients, with a market share of approximately 50% in Connectivity and 15% in IT services in Italy as at 31 December 2021. The IT service market is characterised by a relatively high market share captured by local players, mainly due to cultural and local commercial complexities, such as language, local regulatory constraints in most industries including banking, energy and healthcare, the importance of local relationships and proximity to customers. TIM is one of the largest local players in this fragmented market where scale increasingly matters, and TIM is able to capitalise on its position as a leading ICT provider to large customers and the Public Administration segment thanks to its ability to offer converged end-to-end solutions. TIM believes that due to a trend among its customers to reduce operational complexity by consolidating around key partners for telecom and data services, cloud, IoT and security, natural convergence will occur. Growth in IT services spend is also driven by the increasingly mission-critical nature of IT services in business operations which TIM expects to result in IT services spend in Italy becoming more recurring and resilient in the face of future market downturns and less correlated to macroeconomic trends.

TIM has a set of valuable assets, from a top brand, to unique telecommunications and IT infrastructure and know-how.

TIM leads its competitors across a number of key attributes, including its valuable assets, infrastructure and know-how comprising its extensive and reliable fixed and mobile network with one of the largest spectrum portfolios in Italy, all supported by its top brand.

Top Brand and Know-How

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[2] **Connectivity services.** The services needed to provide connections to the network. Connection is a unique, active service access point to a network. This includes voice services and data services and includes machine-to-machine network access as well as human access. A single subscriber may operate several different connections and multiple connections may be associated with one subscriber or one device.

[3] **IT services** refer to the application of business and technical expertise to enable organisations in the creation, management and optimisation of, or access to, information and business processes. The IT services market can be segmented by the type of skills that are employed to deliver the service (design, build, run). There are also different categories of service: business process services, application services and infrastructure services.

TIM benefits from strong brand recognition as the #1 telecom brand in Italy, with a brand awareness of 44% at top-of-mind and 77% spontaneous awareness among a consumer target population representative of the broader Italian population according to MPS Research of December 2022 (*source: "MPS Adv tracking", December 2022*). TIM's leading market positions in Italy in mobile, fixed and wholesale further underscores the strength of its brands among Italian consumers. TIM is also well-advertised throughout Italy, acting as the title sponsor for Lega Series A and as sponsor for popular music events in Italy, partnering with key opinion leaders across industries like Dolce & Gabbana, Christian Vieri, Federica Pellegrini, Marcell Jacobs and rock band Maneskin in order to be relevant for different target groups.

TIM's top brand is underpinned by its best-in-class technology and know-how. As a fully convergent player in both the business-to-business and business-to-consumer connectivity and service platform, TIM is able to leverage its extensive and reliable infrastructure and asset base to offer a suite of fixed and mobile line services, including 5G, 4G, TV and games, as well as IT services, including cloud, security AI and IoT.

Moreover, TIM has a strong dedication to customer service and to its relationships with its loyal customer base. In particular, TIM has invested considerably in recent years to improve its customer service, which has resulted in better customer experiences and reduced churn. These improvements reflect TIM's focus on better services and the shift to a more digital customer service model. The quality of its customer service both in its physical locations and through its online presence has improved customer satisfaction. Specifically, TIM Enterprise benefits from a loyal customer base, with on average a continued relationship of over 20 years with its top 10 clients. These longstanding relationships are underpinned by its end-to-end solutions and experienced employee base who provide deep institutional knowledge. TIM deploys a significant amount of resources to attract, maintain and train its employees, project managers and digital and technology specialists. TIM generally has a low turn-over among its employees and believes that its strong commitment to training, together with its reputation as of one of the leading independent players, will allow it to continue to attract and retain skilled employees.

Telecommunications and IT Infrastructure

TIM benefits from unique telecommunications and IT infrastructure in Italy. In particular, as of 31 December 2022, TIM has provided access to approximately 16 million premises, of which more than 72% have FTTx access, with broadband speeds of over 100 Mbps for over 59% of premises. TIM's FTTx coverage was over 94% on active lines. Moreover, TIM has provided more than 5,700 schools with broadband connection. In 2022, TIM has also progressed the upgrade of the access network from copper to full-fibre by rolling out more than 1.2 million additional kilometres of cable. The shift from copper to fibre is expected to reduce operational costs and result in slowing capital expenditure requirements.

TIM Enterprise is the only infrastructure-based ICT player in Italy thanks to its assets base, which spans from telecommunication assets to the largest proprietary data centre footprint in the country, with sixteen data centres of which seven are "tier four", as at 31 December 2022. The next largest ICT player after TIM Enterprise has just one data centre. Over recent years, TIM has deployed significant investments and has developed specific expertise in leading technologies and solutions. TIM expects that TIM Enterprise will own a proprietary backbone in strategic areas, including more than forty-five thousand dedicated customer fibre lines and a mobile core network to maintain full offer flexibility to match client requirements and permit access to tenders requiring proprietary backbone.

TIM's technologically advanced and next-generation fixed and mobile assets and infrastructure are reinforced by an ongoing future-proofing investment programme.

As of December 2022, TIM has constructed an extensive fibre network of approximately 22 million kilometres nationwide, approximately 128 thousand fibre cabinets deployed nationwide. In addition, TIM's ultra-broadband coverage reaches approximately 77% of the white areas, with approximately 4 million poles in such areas as of 31 December 2022. TIM also benefits from approximately 81% market share in the overall fixed services market, retail and wholesale, and its FTTH coverage was approximately 32% of technical units covered as at 31 December 2022.

Moreover, TIM's 5G network is among the fastest in Europe in terms of download speed, according to Opensignal. TIM's 5G has reached 388 municipalities as at 31 December 2022 (active 5G sites), with capex-efficient deployment benefitting from the sharing of active network infrastructure with Vodafone. TIM has provided approximately 30.4 million mobile lines in Italy as at 31 December 2022. TIM has also entered the world's top 30 for having enabled an improvement in the switch from the 4G to the 5G network in terms of download and upload speeds. Moreover, TIM's 4G network covers over 99% of the national population, the highest in Italy. TIM has maintained this level of coverage for the last four years. As of 31 December 2022, TIM holds the 3.6-3.8 GHz band, providing four times the bandwidth of Wind Tre and Iliad in the 3.7 GHz band.

As such, TIM believes that it is well positioned to satisfy 5G market demand.

Future-proofing Investment Programme

While TIM has built a market leading, next-generation fixed and mobile infrastructure through significant investments over time, it remains committed to further developing and future-proofing its network with the support of the NRRP plan by investing in the latest network technologies. TIM intends to continue its FTTH roll-out, with the aim to achieve approximately 65% FTTH coverage by 2028 from approximately 32% as of December 2022.

TIM also intends to continue to update and expand its mobile network, which it expects to significantly expand 5G coverage to around 90% of the Italian population by 2025 in line with its 5G 700MHz licensing obligations and increase its high-speed mobile data capabilities to over 50% of the population with 3.7 GHz. TIM's 5G expansion is underpinned by its valuable spectrum rights acquired in 2018. In the 2018 multiband spectrum auction, TIM has obtained significant spectrum rights on all available frequencies in the 700 MHz and 3.7 and 26 GHz bands (specifically, 2x10 MHz in 700MHz, 1x80MHz in 3.7GHz and 1x200MHz in 26GHz), further consolidating its leadership in the sector. These 5G spectrum rights expire in 2037. Moreover, in the future, TIM will gradually be able to use its 4G frequencies (800MHz, 1800MHz, etc.) for 5G.

TIM believes that its investment plans uniquely position it to meet customer demand for high speed services, as well as providing the critical high capacity fibre backhaul services required by mobile operators to meet the growing demand for mobile data services and deliver its primary goal of having the best network for its customers. TIM believes that growth in data traffic will increase utilisation of its fibre network and, given the planned quality and reach of its network, TIM expects this will enable it to further differentiate its network in the medium term. The ongoing investment programme benefits from government support under the NRRP for the Italia 1Giga, 5G backhauling, 5G coverage, connected healthcare and connected schools initiatives.

TIM Brasil benefits from next-generation telecommunication infrastructure, driving strong growth, profitability and cash flow generation.

TIM entered the Brazilian market more than 20 years ago. Through TIM Brasil, TIM offers mobile voice and data services, broadband internet access, value-added services, and other telecommunications services and products in Brazilian market.

The Brazilian telecommunications market offers attractive fundamentals as one of the largest consumer markets with approximately 252 million mobile users and, according to Anatel, approximately 27 million fixed lines, representing the fifth largest globally as at 31 December 2022. Moreover, the

Brazilian telecommunication market is expected to enjoy a cycle of ARPU growth after years of competitive tension due to the consolidation of operators from four to three following the Oi transaction. TIM Brasil believes that it is well-positioned to benefit from this growth, underpinned by its acquisition of Oi mobile assets, which completed in 2022. TIM believes that the Brazilian market offers strong growth and expects TIM Brasil to be able to leverage the additional infrastructure and spectrum from Oi, together with the opportunity to exchange 4G into 5G investments and accelerate the migration from FTTC to FTTH to drive network quality in order to outgrow the market.

TIM Brasil benefits from next-generation telecommunication infrastructure distributed throughout Brazil. Its mobile network covers areas in which approximately 99% of the Brazilian urban population lives and works (4G urban population coverage). According to ANATEL, as of 31 December 2022, TIM Brasil had approximately a 25% market share of the Brazilian mobile telecommunications market and approximately a 3% market share of the Brazilian fixed-line market. TIM Brasil is one of the most profitable companies in the Latin American telecommunications market achieving leadership among its peers in margin indicators and free cash flow yield with EBITDA margin of 47% and operating cash flow margin of 26% for the year ended 31 December 2022 (average of peers, respectively, 41% and 19%).

Strong and resilient profitability profile with demonstrated resilience and upside potential underpinned by ongoing cost saving initiatives and improving market trends.

TIM is a leading, historically profitable company. On the key profitability metric of Organic EBITDA margin, TIM is among the top performers in the Italian market and outpaces most of its comparable European competitors with an Organic EBITDA margin around 38% compared to approximately a 33% average for selected European peers (in 2022).

TIM generated Organic EBITDA-AL of approximately €5bn in the year ended 31 December 2022. See "*—Summary Financial Information and Other Data*". TIM believes that its resilient profitability profile is a direct result of its focus on cost optimisation and organisational efficiency, which it expects to be further underpinned by its transformation plan as well as a prudent capital expenditure policy. Specifically, TIM's transformation plan includes long-term targets regarding savings on labour and external operational capital expenditure, expected to be achieved by accelerating digitalisation, simplifying the cost structure and labour and cost optimisation.

In addition to ongoing cost-saving initiatives, the mobile and fixed markets are now showing clear signs of market rationality on price. TIM has selectively repriced part of its customer base in 2022, and is continuing the roll-out in 2023. At the same time, the market has introduced inflation indexed tariffs, further aiding price rationality. Such price rationality translates into lower churn rates and offers opportunities to upsell customers with "more for more" propositions.

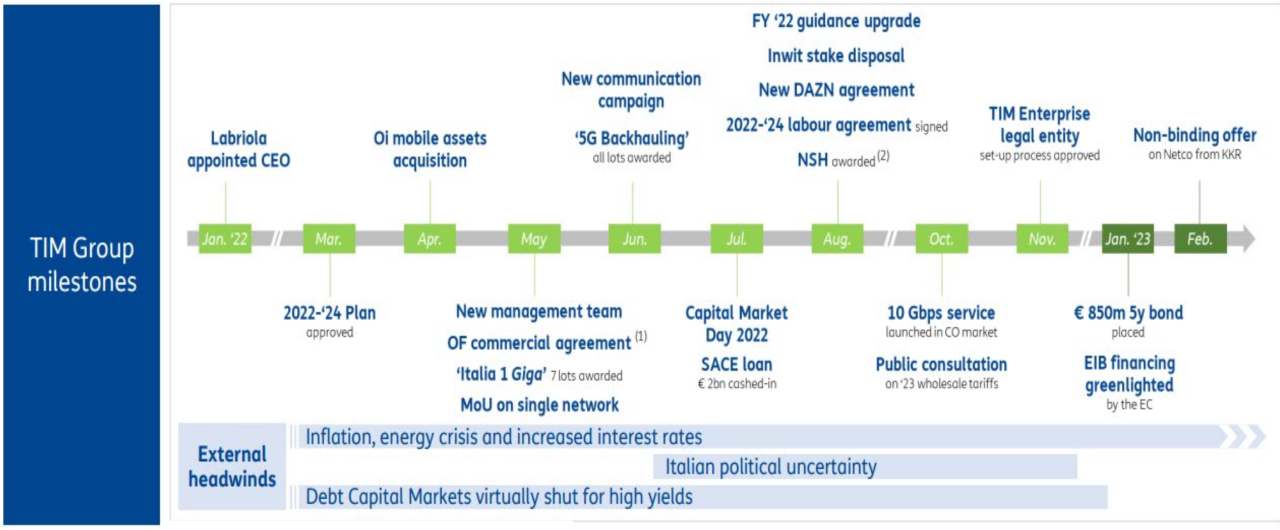
Highly accomplished management team, committed to deleveraging with proven track record of delivery.

TIM benefits from a highly accomplished and experienced management team, led by its CEO, Pietro Labriola, who was appointed in January 2022 and brings over 20 years of experience at the Group including as the former CEO of TIM Brasil where he transformed TIM Brasil from a newcomer to a market leader. TIM's senior managers also include Adrian Calaza as CFO, Claudio Giovanni Ezio Ongaro as Chief Strategy & Business Development Officer, Elio Schiavo as Chief Enterprise and Innovative Solutions Officer, Andrea Rossini as Chief Consumer, Small & Medium Market Officer and Elisabetta Romano as Chief Network Operations & Wholesale Office, who together have strong sector knowledge of the broader telecommunications environment and international experience.

TIM's management team is seasoned in running, acquiring and staffing telecommunications businesses and in navigating consumer markets both in Italy and abroad, and they leverage the expertise they acquired over decades of combined experience at top-tier telecommunications and companies such as Telecom Argentina, Wind Telecomunicazioni, Wind Tre, Apple and Vodafone. More importantly, the management team has a strong track record of delivering growth from both organic initiatives and strategic acquisitions and has won and maintained strong stakeholder support while maintaining a strong debt capital structure. This industry-leading management team is supported by a deep bench of divisional managers.

The new management brings a strong commitment to de-lever the group, both organically and through the strategic options created by the delayering strategy. Management has enacted an ambitious cost-cutting transformation plan which targets €1.5 billion of total savings by 2024 (excluding TIM Brasil business unit). As of 31 December 2022, management had achieved more than €0.3 billion of savings (112% of the target for the year).

Despite external headwinds, TIM achieved a number of important milestones, among which: renewed the management team, completed the integration of Oi in Brazil, won the tenders for the National Strategic Hub and the NRRP, signed the commercial agreement with Open Fiber in "white areas", launched a new communication campaign, updated the EBITDA 2022 guidance, sold the indirect stake in Inwit, revised the agreement with DAZN, signed a new labour agreement, launched the 10 Gbps commercial service, participated to the public consultation on 2023 wholesale rates, set up the process to make TIM Enterprise a legal entity and met 2022 NRRP milestones and FiberCop roll out targets. The chart below represents the abovementioned milestones achieved by TIM.



(1) Open Fiber (2) National Strategic Hub

TIM's Strategy

TIM operates in a market that is both highly regulated and competitive. The Group's four key businesses –Enterprise Customers, Consumer Customers, Network and Wholesale and TIM Brasil – operate in distinct markets and face different competitive dynamics, each with their specific industrial focus and economics. The Group is experiencing market and business trends specific to each of the four businesses.

Reorganising the Group around these four business segments enables each business to pursue a focused strategy. Such organisational change allows management to focus on clear and business specific KPIs to measure success in order to facilitate efficient management and improved capital allocation. The purpose of this delayering strategy is industrial, which translates into unlocking growth and achieving better operational results while also focusing on efficiencies and funding the investments that will shorten the path to increased cash generation. The separation of NetCo from the other businesses is also key to an improved regulatory environment for TIM Enterprise and TIM Consumer in the Italian market, enabling these businesses to compete on a level playing field with other retail operators in the market.

The delayering plan also opens up a number of strategic options in order to (i) achieve substantial deleveraging towards a more sustainable long-term capital structure and/or (ii) potentially capture in-market consolidations to accelerate growth and strategy implementation. At the same time, TIM has started to implement an ambitious cost-cutting transformation plan which targets €1.5 billion of total savings by 2024 (excluding TIM Brasil business unit). In 2022, TIM achieved 112% of the 2022 cost savings target with over €0.3 billion of OpEx savings of which around €100 million represented labour costs and more than EUR 200 million external operating expenses.

NetCo

NetCo is the Group's network company and comprises the national and international wholesale businesses and all fixed network assets, including the entire access network – the infrastructure on which Italy's digitalisation can progress. NetCo also includes FiberCop (which is jointly owned with KKR Global Infrastructure and Fastweb), as well as Sparkle, which is ranked fifth among international carriers for its IP network and is expected to further develop through a selective expansion into new geographies.

NetCo aims at leveraging growth opportunities from Italy's underpenetrated broadband and ultra-broadband connections at secondary network level since as of 31 December 2021 (*Source: EU Digital Economy and Society Index 2022*) only approximately 66% of Italian households had a fixed broadband connection versus a European average penetration of approximately 78% at that the same time. The ongoing investment programme to deploy ultra-broadband infrastructure benefits from government support under the NRRP for the "Italia 1Giga", "5G backhauling", "5G Coverage", "Connected Healthcare" and "Connected School" initiatives, for which TIM has been assigned lots entailing the deployment of ultra-broadband infrastructure for a combined amount of €2.9 billion of investments until 2026. Out of the €2.9 billion, TIM will receive €2.3 billion of cash contributions until 2027.

Following an FTTH investment cycle aiming at a total fibre footprint of 16 million technical units or approximately 65% national coverage by 2028, NetCo is expected to become a typical, focused infrastructure company with stable cash flows set to guarantee third-party access to all communication service providers. The shift from copper to fibre should reduce the operational cost structure and result long term in reduced capital expenditure requirements. At the same time increased take-up of the newly deployed FTTH network is expected to further contribute to a growth in profitability. Moreover, NetCo is also expected to benefit from the proposed increases to the Italian wholesale tariffs, in order to bring wholesale tariffs broadly in line with other large European markets. In this context, the Group is open to considering strategic partnerships and combinations to create a single network infrastructure for the country.

ServiceCo

The ServiceCo perimeter comprises the Group's service businesses in Italy (TIM Enterprise, at a business-to-business level, and TIM Consumer, at a business-to-consumer / retail level) and TIM Brasil. The clear separation from NetCo facilitates strategic flexibility and is key to an improved regulatory environment for the retail operations in the Italian market, enabling these businesses to compete on a level playing field with other retail operators in the market and with reduced limitations under applicable competition laws. Moreover, ServiceCo may also benefit from potential upsides, such as in-market consolidation if these were to materialise.

TIM Enterprise

TIM Enterprise is the only infrastructure-based ICT player in Italy, offering integrated end-to-end solutions for telecom and data services, cloud (including professional and managed services), IoT and security. TIM Enterprise is the market leader in the large enterprise and public administration segments and benefits from a loyal customer base of approximately 35,000 clients split between large corporates (approximately 10,000 clients) and public administration (approximately 25,000 clients). The business relies on long and stable relationships with an average length of over 20 years with its top 10 clients and average contractual duration of three years (currently increasing as business shifts to an increased share of IT services). The company operates in a growing and underpenetrated market expected to grow at a CAGR of approximately 4% from 2021 through 2030, with growth opportunities particularly in cloud, IoT and security. Specifically, the company expects that the share of revenue mix derived from connectivity will shift from 41% of revenue for 2021, to approximately 28% in 2030, with the largest contributor to revenue expected to be cloud services, at approximately 44% in 2030.

TIM Enterprise has clear and distinctive competitive advantages to gain from expected market momentum, including (i) unmatched offering in the Italian market, (ii) an owned infrastructure mobile network, (iii) 16 directly owned data centres (including seven with a Tier-4 rating) and (iv) opportunities to develop dedicated customer infrastructure.

The unique combination of (i) deep, established customer relationships, (ii) an unparalleled asset base and network of data centres, (iii) a proprietary backbone in strategic areas, and (iv) strategic partnerships with leading technology providers such as Google, Oracle, Microsoft and VMWare makes TIM Enterprise the natural reference point for many large enterprises and public bodies that seek to streamline their telecommunication and IT infrastructure, ideally with a single company providing seamless end-to-end services. With core data services increasingly integrated with cloud, IoT and security solutions, this convergence will only continue. TIM Enterprise is uniquely positioned to capitalise on this opportunity.

As part of establishing TIM Enterprise as its own separate business unit, management is developing an integrated go-to-market approach between the historically separately managed brands TIM Enterprise, Noovle, Telsy and Olivetti. A scaled-up combined product factory will end historic fragmentation between the brands, thereby creating potential for synergies and capacity for new proprietary capabilities due to fully integrated end-to-end product capabilities. The company's primary focus is on the continuing acquisition of scale, focusing on proprietary products and public administration cloud strategy and personnel reskilling in light of an expanding offering.

TIM Enterprise believes that these measures will result in higher revenues, significantly increased cash conversion and optimised capex and operational costs.

TIM Consumer

The TIM Consumer business operates in a highly competitive environment. In response, management is implementing a recovery and transformation strategy. The goal is to transform TIM Consumer into an agile, efficient, and commercially flexible premium business with a shift in strategy from volume to value. Delayering will enable management to take end-to-end responsibility for the entire business, with full accountability for the implementation of the strategy. TIM also expects that delayering will enable higher commercial flexibility by lifting price-replicability rules and allowing a level playing field with competitors.

As part of the transformation, the business has focused on activities that delivered value in the short term both in terms of costs and top line such as a successful implementation of a brand repositioning and pricing redesign, improved organisational structure and capital expenditure, as well as IT demand optimisation.

As near-term goal, the business aims at stabilising the customer base through reduced churn, with gradual ARPU increases through a “more for more” proposition, a turn-around of its current content strategy and the TIM Vision platform, the optimisation and digitalisation of the current channel mix and higher FTTH / 5G uptake which should provide opportunities for improved pricing. Cost optimisation spans several initiatives with the ambition to reduce caring costs by 30%, bad debt by 55% and advertising expenses by 20% compared to a 2021 baseline. This also includes right-sizing the organisation with a 20% FTE reduction from approximately 14,000 in 2021. Overall, management aims at a reduction of the addressable 2021 operational expenditures by 34%.

Management targets include reducing the capital intensity of the business through active sharing agreements on mobile network infrastructure and by redesigning the business’s IT infrastructure, resulting in a reduction of TIM Consumer’s capital expenditure (net of licence).

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

TIM Brasil

TIM Brasil aims at becoming the next generation telco in order to deliver superior and sustainable value to its shareholders. TIM Brasil, a 67%-owned listed subsidiary of the Group, is already among the most profitable and cash-generative telco companies in Latin America and leads its peers with an operating cash flow margin of 26% for the year ended 31 December 2022 (average of peers 19%). It operates in a large, increasingly attractive and growing market, which has benefited from recent consolidation from five to three mobile operators (including TIM Brasil’s integration of part of Oi), a healthy regulatory environment and continuous growth in addressable customer base.

TIM Brasil’s strategy aims at further strengthening cash flow generation in its core connectivity business, through the deployment of 5G coverage and the migration of FTTC to FTTH technology. Benefits to efficiency and scale are expected to originate from the ongoing integration of Oi operations, which is currently subject to one-off operation expenditure and capital expenditure as part of the integration. Further growth opportunities targeted by TIM Brasil go beyond the core business with the ambition to become a full vertical orchestrator of B2B and IoT services, in partnership with industry leaders.

Delayering plan execution and capital structure

One of the overall objectives of the delayering plan is a substantial reduction in net leverage of TIM, in order to achieve a long-term sustainable capital structure mainly through the combination of several strategic options which may include (i) debt deconsolidation and (ii) cash proceeds from M&A transactions, such as a potential disposal of NetCo, a sale of a minority stake in TIM Enterprise and, if needed, opportunistically assessing options on other assets, if terms are attractive.

On 9 November 2022, TIM’s Board of Directors approved the separation of TIM Enterprise into a new legal entity.

On 1 February 2023, TIM received a non-binding offer from KKR for the purchase of a stake in a company to be set up that matches the fixed-line network management and infrastructure perimeter, including FiberCop’s assets and activities, as well as the stake in Sparkle (known as “Netco”). The offer refers to a stake to be defined, on the understanding that the purchase would result in the loss of vertical integration in relation to TIM.

On 24 February 2023, TIM's Board of Directors examined the non-binding offer submitted by KKR. In consideration of the information received, the Board of Directors highly appreciated the interest expressed in the aforementioned non-binding offer, while considering that it did not wholly reflect the value of the asset and TIM's expectations, also in terms of the sustainability of the company resulting from the transaction contemplated thereby. Consequently, in order to facilitate the alignment of the terms of the proposed transaction with the strategic framework relevant to TIM, the Board of Directors resolved to make available to KKR - on a non-exclusive basis - certain specific information and to request the further indications necessary to fully understand the assumptions and economics of the proposal.

On 5 March 2023, TIM received a non-binding offer from a consortium formed by Cassa Depositi e Prestiti Equity S.p.A. (CDPE) and Macquarie Infrastructure and Real Assets (Europe) Limited (the "**Consortium**"), acting on behalf of a group of investment funds managed or advised by the Macquarie group, for the purchase of 100% of a company to be set up, that matches the management and infrastructure perimeter of the fixed network, including the assets and activities FiberCop, as well as the stake in Sparkle. CDPE's parent company Cassa Depositi e Prestiti S.p.A. holds 9.81% of TIM's ordinary share capital (see "*The Issuer*").

On 15 March 2023, in order to allow the Consortium and KKR to submit their improved offers within defined competitive bidding process, the Board of Directors mandated the Chief Executive Officer, Pietro Labriola, to initiate a structured process, by sending both bidders, through their advisors, a process letter outlining (i) the terms under which they will be given access to additional specific information, the same for both bidders and (ii) the ways through which each of them may submit a non-binding improved offer by the deadline of 18 April 2023.

As is normal for transactions of this kind, the non-binding offers are indicative and subject to in-depth examinations, analyses and assessments by TIM, including through discussions with the offerors, also aimed to improve the relevant bid for the fixed network assets.

Should a disposal of NetCo not be possible on attractive terms, the Group retains flexibility to deconsolidate NetCo through alternative transaction structures. Such a scenario would include a deconsolidation of debt such that an independent NetCo would be expected to carry a significant portion of the Group's current debt. Additional deleveraging options include a disposal of a minority stake in TIM Enterprise and the opportunistic disposal of other assets.

With debt maturities through 2024 already covered by available liquidity (after-lease view), the Group maintains a high degree of flexibility to explore additional cash-in options to maximise value for the Group and its stakeholders and believes that it is well equipped to navigate the challenging and volatile market conditions.

Any plan or transaction pursued will only be executed on terms that TIM views as attractive to its bondholders and shareholders. Before committing to any transaction, TIM intends to pursue a rating assessment, supporting its goal of unlocking value while targeting a solid and sustainable capital structure. Any potential transaction will build on TIM's preparatory work, such as the clear definition of the perimeter of the new business units and related FTE allocations, the appointment of dedicated management teams and the preparation of dedicated business plans.

The Issuer

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

The Transaction

The Transaction consists of the issuance by the Issuer of the Further Notes offered hereby and the use of proceeds therefrom. For a description of the anticipated indebtedness of the Group following the Transaction, see "*Capitalisation*" and "*Description of Certain Other Financing Arrangements*".

Sources and Uses

The Issuer estimates that the gross proceeds of the offering of the Further Notes will be €403,000,000. The net proceeds from the offering of the Further Notes will be used to refinance short term maturities, for general corporate purposes, for cash on balance sheet, and to pay for Transaction fees and expenses.

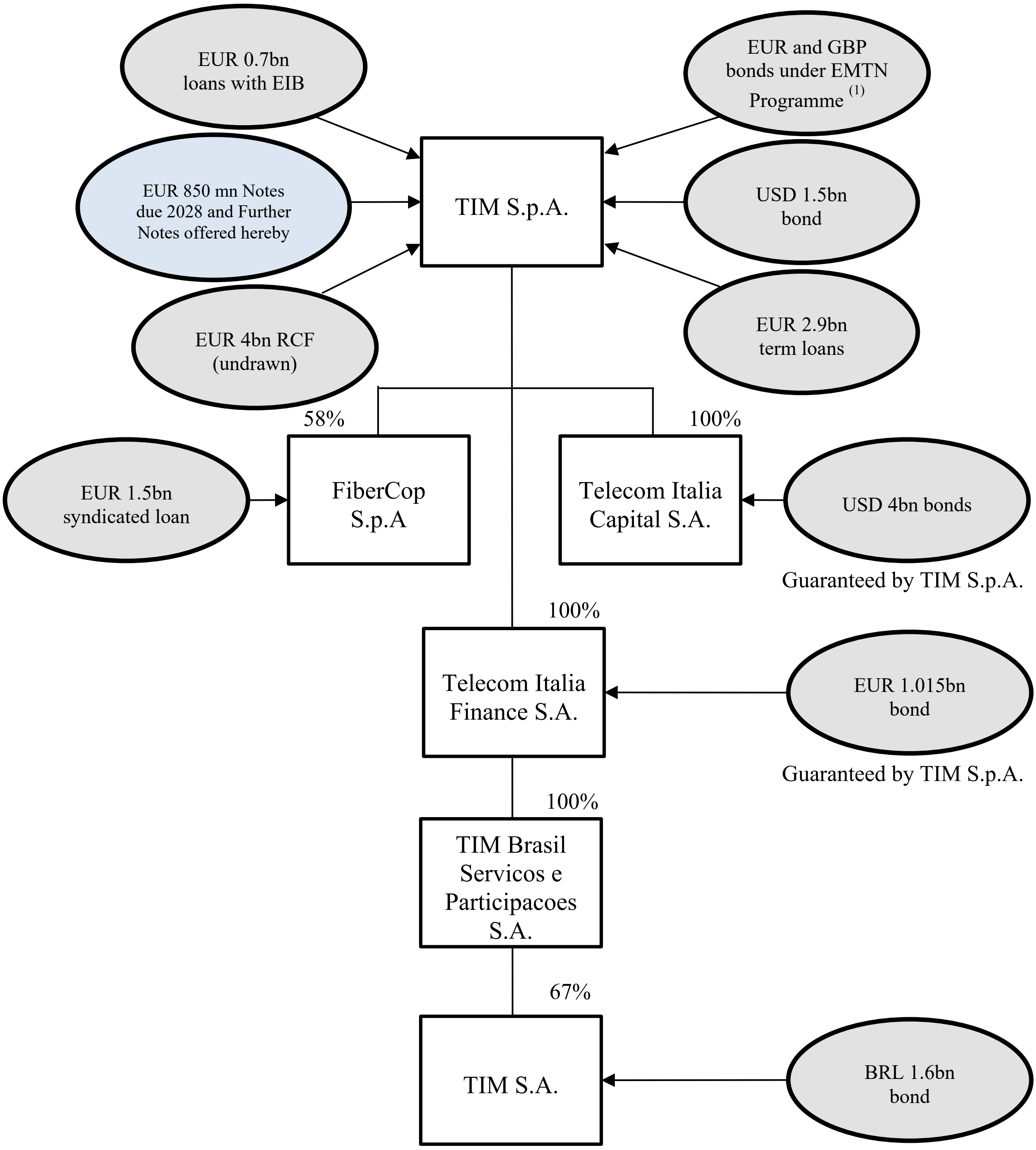
The following table sets forth the estimated sources and uses of proceeds from the issuance of the Further Notes. Actual amounts will vary from estimated amounts depending on several factors, including (i) the actual amount of our cash balance on the Further Notes Issue Date, (ii) the exact timing of payments made, and (iii) differences from our estimates of fees and expenses.

Sources of funds	**Amount (in € millions)**	**Uses of funds**	**Amount (in € millions)**
Proceeds from the Notes offered hereby......................	403.0	General corporate purposes including the repayment of short-term debt....................	403.0
Total sources.......................	**403.0**	**Total sources......................**	**403.0**

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following diagram shows a simplified summary of the TIM Group's corporate and principal financing structure after giving effect to the issue of the Notes. The diagram does not include all entities in the TIM Group, nor all of the debt obligations thereof. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "*Capitalisation*," "*Description of Certain Other Financing Arrangements*" and "*Conditions of the Further Notes*." Capitalised terms used in the diagram below are defined in the section entitled "*Description of Certain Other Financing Arrangements*". Amounts are as of 31 December 2022, except for the depiction of the Original Notes and the Further Notes offered hereby.

(1) Nominal amounts of such bonds are set out in "*Description of Certain Other Financing Arrangements – Bonds*".



THE OFFERING

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

Issuer	TIM S.p.A. ("**TIM**"). TIM was incorporated as a joint stock company under the laws of Italy on 20 October 1908, and its duration is until 31 December 2100. TIM's registered office is Via Gaetano Negri 1, 20123 Milan, Italy.
Legal Entity Identifier of the Issuer	549300W384M3RI3VXU42.
Notes offered..............................	€400,000,000 cent. Notes due 15 February 2028 (the "**Further Notes**"), to be consolidated and form a single series with the €850,000,000 6.875 per cent. Notes due 15 February 2028 issued on 27 January 2023 (the "**Original Notes**" and together with the Further Notes, the "**Notes**").
Issue Date....................................	The Original Notes were issued on 27 January 2023 (the "**Original Issue Date**"). The Further Notes will be issued on 12 April 2023 (the "**Further Notes Issue Date**").
Issue Price...................................	In respect of the Further Notes, 100.75 per cent. plus 75 days' accrued interest in respect of the period from (and including) 27 January 2023 to (but excluding) 12 April 2023.
Maturity Date.............................	15 February 2028.
Interest Rate	The Notes bear interest from and including the Original Issue Date (as defined below) to but excluding the Maturity Date at the rate of 6.875 per cent. *per annum*.
Interest Payment Date	Interest on the Notes will be payable semi-annually in arrear on 15 February and 15 August in each year, commencing on 15 August 2023. There is a long first coupon from and including the Original Issue Date to but excluding the first Interest Payment Date, being 15 August 2023.
Form of the Further Notes	As with the Original Notes, the Further Notes will be issued in bearer form. The Further Notes will initially be in the form of the Temporary Global Note, exchangeable for the Permanent Global Note which may be exchanged for Definitive Notes in the limited circumstances set out in the Permanent Global Note. See "*Summary of Provisions Relating to the Further Notes While Represented by the Global Notes*".

Denomination of Further Notes	As with the Original Notes, the Further Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000. Each Note will be issued with Coupons attached on issue.
Global Coordinator and Physical Bookrunner	Goldman Sachs International.
Trustee	Deutsche Trustee Company Limited.
Principal Paying Agent	Deutsche Bank AG, London Branch.
Currency	Euro.
Clearing Systems	As with the Original Notes, the Further Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The temporary ISIN for the Further Notes is XS2610787835 and the temporary Common Code is 261078783, both of which will apply for so long as the Further Notes are represented by the Further Temporary Global Note. The Further Notes will be consolidated and become fungible with the Original Notes 40 days after the Further Notes Issue Date (being on or about 22 May 2023), upon exchange of the interests in the Further Temporary Global Note for interests in the Further Permanent Global Note. Upon such exchange, the Further Notes will have the same ISIN and Common Code as the Original Notes, being XS2581393134 and 258139313 respectively.
Tax Redemption	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Noteholders (which notice shall be irrevocable) at their principal amount together with interest accrued to (but excluding) the date of redemption, in the event that the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) either: (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 25 January 2023 in relation to the Notes and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) where a Person into which the Issuer is merged or to whom it has conveyed, transferred or leased all or substantially all of its assets is required to pay additional amounts, unless the sole purpose of such a merger would be to permit the Issuer to redeem the Notes,

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

Redemption at the Option of the Issuer (Make-Whole Call)...	The Issuer may, having given (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 12 (*Notices*), and (b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a) above (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. See Condition 6.3 (*Redemption at the Option of the Issuer (Make-Whole Call)*).
Redemption at the option of the Issuer (Issuer Maturity Par Call)...	The Issuer may, having given (a) not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*), and (b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a), (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes then outstanding in whole, but not in part, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at the Final Redemption Amount, together (if appropriate) with interest accrued but unpaid to (but excluding) the date fixed for redemption. See Condition 6.4 (*Redemption at the Option of the Issuer (Issuer Maturity Par Call)*).
Redemption at the Option of the Holders on the Occurrence of a Change of Control and a Network Event	If a Change of Control or a Network Event occurs, each Noteholder shall have the option to require the Issuer to redeem (or, at the Issuer's option, to purchase) the Notes held by it (in whole but not in part) on the date which is seven days after the expiration of the Put Period (as defined in Condition 6.5 (*Redemption at the Option of the Holders on the Occurrence of a Change of Control and Network Event*)) at 101% of their principal amount together with interest accrued to (but excluding) the date of redemption. A "Change of Control" will be deemed to occur if there is an Acquisition of Control of the Issuer (except in the event that any person or persons referred to in sub-paragraphs (a), (b) and/or (c) of the definition of "Acquisition of Control" has or acquires such Control or Joint Control).

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

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

Redemption at the Option of the Issuer (Equity Offering)...... At any time, the Issuer may on any one or more occasions, upon not less than 15 nor more than 30 days' notice, redeem up to 40 per cent. of the aggregate principal amount of the Notes originally issued at a redemption price equal to 106.875 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant Interest Payment Date), with the net cash proceeds of an Equity Offering, subject as set out in Condition 6.6 (*Redemption at the Option of the Issuer (Equity Offering)*.

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

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

Withholding Tax .... All payments of principal, premium and interest in respect of the Notes and the Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future Taxes, subject as provided in Condition 7 (*Taxation*). In the event that any such withholding or deduction is made, the Issuer will, save as provided in Condition 7 (*Taxation*), will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal, premium and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction.

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

Restrictions on Security Interests...................................... The terms of the Notes contain a provision restricting the ability of the Issuer to create security interests in respect of certain indebtedness and to guarantee certain secured indebtedness of its Subsidiaries, as further described in Condition 3.1 (*Covenants—Restrictions on Security Interests*).

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

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

Listing and Admission to Trading....................................... Application has been made for the Further Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and trading on the professional segment of its Euro MTF Market, with effect from the Further Notes Issue Date, being 12 April 2023. The Luxembourg Stock Exchange's Euro MTF Market is not a regulated market for the purposes of MiFID.

Listing Agent............................. Deutsche Bank Luxembourg S.A.

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

Ratings....................................... The Original Notes have been rated "B1, LGD4 - 51%" by Moody's, "B+" and a recovery rating of "3(50%)" by S&P and "BB-" and a recovery rating of "RR4" by Fitch and the Further Notes are also expected to be rated B1, LGD4 - 51% by Moody's, B+ and a recovery rating of 3(50%) by S&P and BB-

	and a recovery rating of RR4 by Fitch, Moody's, S&P and Fitch are established in the EU and registered under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Selling Restrictions	United States, the European Economic Area (including Italy and France), the United Kingdom, Japan, Switzerland, Hong Kong and Singapore, as further described under "*Subscription and Sale and Transfer and Selling Restrictions*" below.
Risk Factors................................	An investment in the Further Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "*Risk Factors*" beginning on page 29 of this Information Memorandum.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The summary historical financial information and other data set forth below is the consolidated financial data of the TIM Group as of and for each of the years ended 31 December 2022, 31 December 2021 and 31 December 2020 which has been extracted or derived from, as appropriate, the Audited Consolidated Financial Statements as of and for the years ended 31 December 2022, 2021 and 2020 (which are incorporated by reference herein).

The Audited Consolidated Financial Statements have been prepared in compliance with IFRS and have been audited by EY S.p.A.

In 2022, the TIM Group applied the accounting policies on a basis consistent with those of the previous years, except for the amendments to the standards issued by IASB and adopted starting from 1 January 2022.

The financial information described below should be read in conjunction with the 2022 TIM Annual Report, the 2021 TIM Annual Report and the 2020 TIM Annual Report. See also "*Presentation of Financial and Other Information in the Information Memorandum*".

Subject to as set out below, amounts presented in this section are prepared in accordance with IFRS.

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. Such Alternative Performance Measure are unaudited.

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; and capital expenditures (net of spectrum). Following the adoption of IFRS 16, the TIM Group also presents the following additional alternative performance measures: EBITDA After Lease ("**EBITDA-AL**"), Organic EBITDA After Lease ("**Organic EBITDA-AL**"), Adjusted net financial debt After Lease, Equity Free Cash Flow After Lease, Operating Free Cash Flow, and Operating Free Cash Flow (net of licenses).

The meaning and contents of such are explained in the Section "Alternative Performance Measures" of the Information Memorandum and the analytical detail of the amounts of the reclassifications introduced and of the methods for determining indicators is also provided.

Summary Consolidated Income Statement

	Year ended 31 December		
	2020	2021	2022
		(audited)	
Revenues	**15,805**	**15,316**	**15,788**
Of which: service revenues	*14,403*	*13,905*	*14,600*
Other income	211	272	213
Total operating revenues and other income	**16,016**	**15,588**	**16,001**
Acquisition of goods and services	(6,173)	(6,550)	(7,239)
Employee benefits expenses	(2,639)	(2,941)	(3,180)
Other operating expenses	(961)	(1,502)	(816)
Changes in inventories	(6)	10	22
Internally generated assets	502	475	559
EBITDA	**6,739**	**5,080**	**5,347**
Of which: impact of non-recurring items	*(324)*	*(1,143)*	*(682)*
Depreciation and amortization	(4,616)	(4,490)	(4,777)
Gains/(losses) on disposals and impairment reversals (losses) on non-current assets	(19)	(4,119)	36
Operating profit (loss) (EBIT)	**2,104**	**(3,529)**	**606**
of which: impact of non-recurring items	*(324)*	*(5,263)*	*(682)*
Share of profits (losses) of associates and joint ventures accounted for using the equity method and other income (expenses) from investments	472	164	229
Finance income	1,143	1,124	1,115
Finance expenses	(2,322)	(2,274)	(2,538)
Profit (loss) before tax from continuing operations	**1,397**	**(4,515)**	**(588)**
Of which: impact of non-recurring items	*121*	*(5,144)*	*(490)*
Income tax expense	5,955	(3,885)	(2,066)
Profit (loss) from continuing operations	**7,352**	**(8,400)**	**(2,654)**
Profit (loss) from Discontinued operations/non-current assets held for sale	**-**	**-**	**-**
Profit (loss) for the period	**7,352**	**(8,400)**	**(2,654)**
Of which: impact of non-recurring items	*6,048*	*(8,653)*	*(2,437)*

Summary Consolidated Statement of Financial Position

	As of 31 December		
	2020	**2021**	**2022**
		(audited)	
		(in € millions)	
Cash and cash equivalents	4,829	6,904	3,555
Property, plant and equipment owned	13,141	13,311	14,100
Total assets	**73,234**	**69,187**	**62,027**
Total equity	**28,840**	**22,039**	**18,725**
Total liabilities	**44,394**	**47,148**	**43,302**

Summary Consolidated Statement of Cash Flows

	Year ended 31 December		
	2020	**2021**	**2022**
		(audited)	
		(in € millions)	
Cash flows from/(used in) operating activities	6,551	4,336	4,895
Cash flows from/(used in) investing activities	(3,077)	(5,117)	(5,335)
Cash flows from/(used in) financing activities	(2,009)	3,164	(2,869)
Cash flows from/(used in) Discontinued operations/Non-current assets held for sale	--	--	--
Aggregate cash flows	**1,465**	**2,383**	**(3,309)**

Other Financial Data

	Year ended 31 December		
	2020	2021	2022
	unaudited (unless stated otherwise) (in € millions)		
Revenues	15,805	15,316	15,788
Of which: Service revenues(1)	*14,403*	*13,905*	14,600
EBITDA(2)*	6,739	5,080	5,347
EBITDA-AL(2)*	5,925	4,261	4,313
Capital Expenditures(3)	3,409	4,630	4,077
Capital Expenditures (net of spectrum)(3)*	3,409	3,826	3,979
Operating free cash flow(4)*	3,304	1,444	(625)
Operating free cash flow (net of licenses)(4)*	3,414#	1,879#	1,617#

not adjusted for lease payments

Net Financial Debt

	As of 31 December		
	2020	2021	2022
	(unaudited) (in € millions)		
Cash and cash equivalents	(4,829)	(6,904)	(3,555)
Net Financial Debt Carrying Amount#	23,714	22,416	25,370
Adjusted Net Financial Debt	23,326	22,187	25,364
Adjusted Net Financial Debt-AL(5)*	18,594	17,573	20,015

\# Net Financial Debt Carrying Amount represents gross financial debt (current and non-current financial liabilities and financial liabilities directly associated with discontinued operations /non-current assets held for sale) less financial assets (current and non-current financial assets and financial assets directly associated with discontinued operations /non-current assets held for sale.

Certain Pro Forma and As Adjusted Financial Data

	As of and for the year ended 31 December
	2022
	(unaudited) (in € millions, except ratios)
Organic EBITDA-AL(6)*	4,995
Organic Revenue(7)*	15,788
Organic EBITDA-AL Margin (8)*	31.6%
Adjusted Net Financial Debt-AL(5)*	20,015
Ratio of Adjusted Net Financial Debt-AL to Organic EBITDA-AL	4.0x
Pro forma cash and cash equivalents(9)	3,808
Pro forma Adjusted Net Financial Debt-AL(10)	20,015
Pro forma Net finance income/(expenses)(11)	(1,099)
Ratio of *Pro forma* Adjusted Net Financial Debt-AL to Organic EBITDA-AL	4.0x
Ratio of Organic EBITDA-AL to Pro forma Net finance income/(expenses)	4.5x

* This measure is not a measure of financial performance under IFRS or any other generally accepted accounting standard. Non-IFRS measures have limitations as analytical tools, and should not be considered in isolation or used as an alternative to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Alternative Performance Measures.*"

(1) Service revenue represents revenues for voice and data services on fixed and mobile networks for Retail customers and for other Wholesale operators.

(2) EBITDA represents operating profit (loss) before depreciation and amortization expenses, capital gains (losses) and impairment reversals (losses) on non-current assets.

EBITDA-AL represents EBITDA adjusted for lease payments. The following table is a reconciliation of the Group's Profit (loss) for the year to EBITDA and of EBITDA to EBITDA-AL for the periods indicated:

	Year ended 31 December		
	2020	2021	2022
	unaudited, unless stated otherwise (in € millions)		
Profit (loss) for the period	**7,352**	**(8,400)**	**(2,654)**
Profit (loss) from Discontinued operations/non-current assets held for sale	-	-	-
Income tax expense	(5,955)	3,885	2,066
Finance expenses	2,322	2,274	2,538
Finance income	(1,143)	(1,124)	(1,115)
Share of profits (losses) of associates and joint ventures accounted for using the equity method and other income (expenses) from investments	(472)	(164)	(229)
Gains/(losses) on disposals and impairment reversals (losses) on non-current assets	19	4,119	(36)
Depreciation and amortization	4,616	4,490	4,777
EBITDA	**6,739**	**5,080**	**5,347**
Lease payments(a)	(814)	(819)	(1,034)
EBITDA-AL	**5,925**	**4,261**	**4,313**

(a) Adjusted for lease payments during the period on a historical basis. The year ended 31 December 2020 and 31 December 2021 are not presented on a comparable base with 31 December 2022.

(3) Capital expenditures represents capital expenditures on an accrual basis.

Capital expenditures (net of spectrum) represents capital expenditures less capital expenditures on an accrual basis on TLC licenses for the use of frequencies. The following table is a reconciliation of the Group's capital expenditures to capital expenditures (net of spectrum) for the periods indicated:

	Year ended 31 December		
	2020	2021	2022
	unaudited, unless stated otherwise (in € millions)		
Capital expenditures on accrual basis	**3,409**	**4,630**	**4,077**

of which spectrum	0	804	98
Capital Expenditures (net of spectrum)	**3,409**	**3,826**	**3,979**

(4) Operating Free Cash Flow represents EBITDA less capital expenditures, change in working capital. Operating Free Cash Flow (net of licenses) represents Operating Free Cash Flow, further adjusted for payment of TLC licenses and for the use of frequencies. The following table is a reconciliation of the Group's Operating Free Cash Flow to Operating Free Cash Flow (net of licenses) for the periods indicated:

	Year ended 31 December		
	2020	**2021**	**2022**
		unaudited, unless stated otherwise (in €millions)	
EBITDA	6,739	5,080	5,347
Capital expenditures on accrual basis	(3,409)	(4,630)	(4,077)
Change in working capital[a]	(26)	994	(1,895)
Operating Free Cash Flow	**3,304**	**1,444**	**(625)**
of which payment of TLC licenses and for the use of frequencies[b]	110	435	2,242
Operating Free Cash Flow (net of licenses)[c]	**3,414**	**1,879**	**1,617**

(a) Represents changes in inventories, trade receivables and other net receivables, trade payables, payables for mobile telephone licenses/spectrum, changes in operating receivables/payables, change in provisions for employee benefits, and operating provisions and Other changes.

(b) Represents the payment for licenses for telecommunications frequencies and related commitments in Italy and Brazil.

(c) Not adjusted for lease payments.

(5) Net Financial Debt Carrying Amount represents gross financial debt (current and non-current financial liabilities and financial liabilities directly associated with discontinued operations /non-current assets held for sale) less financial assets (current and non-current financial assets and financial assets directly associated with discontinued operations /non-current assets held for sale).

Adjusted net financial debt represents the Net Financial Debt Carrying Amount, which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and nonmonetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

Adjusted net financial debt-AL represents adjusted net financial debt, excluding the net liabilities related to the accounting treatment of lease contracts according to IFRS 16.

The following table shows the composition of gross financial debt and provides a reconciliation of gross financial debt to Adjusted net financial debt-AL for the dates indicated:

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

(a) Aggregate amount of leases under IFRS 16.

(6) Organic EBITDA-AL represents EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments. The following table is a reconciliation of the Group's EBITDA to Organic EBITDA-AL for the periods indicated:

	Year ended 31 December	**Year ended 31 December**
	2021#	**2022**

	unaudited, unless stated otherwise (in € millions)	
EBITDA	**5,080**	**5,347**
Non-recurring expenses/(income)[(a)]	1,143	682
Lease payments[(b)]	(871)	(1,034)
Foreign currency financial statements translation effect[(c)]	235	--
Effect of translating non-recurring expenses/(income) in currency[(c)]	1	--
Changes in scope of consolidation[(d)]	--	--
Organic EBITDA-AL[(e)]	**5,588**	**4,995**

\# Organic EBITDA-AL for the year ended 31 December 2021 is presented on a comparable base with 31 December 2022 due to the effect of foreign currency financial statements transaction as well as the changes in the scope of consolidation. Please see subsequent point c) and d).

(a) Non-recurring expenses/(income) relate to events and transactions that, in the Issuer's opinion, by their nature do not occur on an ongoing basis in the normal course of operations and which have impact results in a significant amount. Non-recurring charges include, among others, provisions for regulatory disputes and potential liabilities related to them, liabilities with customers and/or suppliers, and provisions for onerous contracts, charges associated with corporate reorganization/restructuring and prior-year adjustments.

Specifically, non-recurring events for the year 2021 include:

- €735 million 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.
    - Other operating expenses - sundry expenses and provisions include €548 million for the posting of a contractual risk provision for onerous contracts (IAS 37) relating to ongoing relations with some counterparties for the offer of multimedia content. In particular, they include the accrual of the net present value of the negative margin connected with some partnerships, including the one in place between TIM and DAZN for the offer in Italy on the TIMVISION platform of DAZN content, including all matches of the Serie A football championship for the seasons 2021-22, 2022-23 and 2023-24.
- €367 million in employee benefit expenses mainly connected with business reorganization/restructuring processes following the application of art. 4 of Law no. 92 of 28 June 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.
- €49 million for expenses related to agreements and the development of non-recurring projects, as well as costs for purchases relating to supplies that became necessary for the management of the health emergency.
- €8 million in net income for adjustments to revenues and the recovery of operating expenses.

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

- €77 million in other operating expenses, mainly due to provisions for disputes, transactions, regulatory sanctions and related potential liabilities. It includes, in particular, a provision made by TIM S.p.A. of 41 million euros for onerous contracts relating to a multi-year agreement concluded in 2021 which committed the Company to minimum purchases and the total estimated cost of which for the residual duration of the agreement became apparent in 2022.
- €572 million 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.
- €56 million mainly for non-recurring expenses associated with agreements and the development of corporate transformation and expansion projects in Italy and Brazil
- €23 million in other income for the recovery of operating expenses.

(b) Adjusted for lease payments during the period. The year ended 31 December 2021 is presented on a comparable base with 31 December 2022 due to the effect of foreign currency financial statements transaction as well as the changes in the scope of consolidation.

(c) Foreign currency translation effects result from the translation of the results of a subsidiary that prepares its accounts in a currency other than the euro, into the Issuer's reporting currency, which is the euro. The Issuer adjusts Organic EBITDA for these translation effects in order to facilitate period-to-subsequent period comparability. The effect in the year ended 31 December 2021 was mainly due to the exchange rate fluctuation mainly related to the Brazil Business Unit.

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

(e) Organic EBITDA for any of the periods presented equals Organic EBITDA-AL, with the above adjustment for lease payments added back in.

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

	Year ended 31 December	
	2021	**2022**
	unaudited, unless stated otherwise (in € millions)	
Organic Revenues	**15,834**	**15,788**

(8) Organic EBITDA-AL Margin represents the ratio of Organic EBITDA-AL to Organic Revenues, in each case for the year ended 31 December 2022, expressed as a percentage.

(9) *Pro forma* cash and cash equivalents represents cash and cash equivalents after giving pro forma effect to the issuance of the Original Notes and the Further Notes, the repayment on 16 January 2023 of the Issuer's €1,000,000,000 3.250% Senior Unsecured Notes due 16 January 2023 and the application of proceeds therefrom as if these transactions had occurred on 31 December 2022, as set out in "*Capitalisation*".

(10) *Pro forma* Adjusted Net Financial Debt-AL represents Adjusted Net Financial Debt-AL after giving pro forma effect to the issuance of the Original Notes and the Further Notes, the repayment on 16 January 2023 of the Issuer's €1,000,000,000 3.250% Senior Unsecured Notes due 16 January 2023 and the application of proceeds therefrom as if these transactions had occurred on 31 December 2022, as set out in "*Capitalisation*".

(11) *Pro forma* Net finance income/(expenses) represents Net finance income/(expenses) other than Finance expenses on lease liabilities, after giving pro forma effect to the issuance of the Original Notes and the Further Notes and the application of proceeds therefrom, including, the repayment on 16 January 2023 of the Issuer's €1,000,000,000 3.250% Senior Unsecured Notes due 16 January 2023 as if these transactions had occurred on 1 January 2022. *Pro forma* Net finance income/(expenses) is presented for illustrative purposes only and does not purport to be what the Issuer's interest expense would have actually been had these transactions occurred on the date assumed, nor does it purport to project the Issuer's interest expense for any future period or our financial condition at any future date.

RISK FACTORS

In purchasing the Further Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Information Memorandum a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum or incorporated by reference therein and reach their own views prior to making any investment decision.

Words and expressions defined elsewhere in this Information Memorandum have the same meaning in this section. Prospective Noteholders should read the entire Information Memorandum and documents incorporated by reference therein.

1. RISKS RELATED TO THE BUSINESS ACTIVITY AND INDUSTRIES OF THE ISSUER.

TIM's business will be adversely affected if TIM is unable to successfully implement its strategic objectives. Factors beyond its control may prevent it from successfully implementing its strategy.

On 2 March 2022, TIM's board of directors (the "**Board of Directors**") approved the 2022 – 2024 Industrial Plan and on 14 February 2023 the Board of Directors approved the 2023 – 2025 Industrial Plan which continues the transformation process started in 2022.

In recent years the telecommunications market has shown a high level of competition, which has resulted in a significant reduction in customer spending, while at the same time requiring an increasing level of investment needed to support network development. In the face of the contraction of the traditional telecommunication core business related to connectivity of voice and data, TIM has progressively evolved its positioning across its markets.

Currently, TIM is effectively operating in adjacent markets, with different levels of competition and different investment cycles, using specific commercial approaches and operating models.

TIM has defined a specific strategy for the different areas of competition in the Italian market.

- Development of the fixed network with a strong acceleration of the Fiber to The Home Network (hereafter "**FTTH**") coverage and 5G solutions (supported also by the Italian National Recovery and Resilience Plan (hereafter "**NRRP**"[4]) through the awarded tenders of the "*Italia 1 Giga*" and "*5G backhauling*" auctions), operating in a fixed line market expected to reach approximately 24 million users by 2030, possibly with a 100% high speed connection – the so called ultra-broadband ("**UBB**") – penetration on active fixed lines.

[4] Document, recently approved by the European Commission, describing which projects Italy intends to implement by applying designated EU funds. The plan also outlines how these resources will be managed and also presents a timetable for related reforms aimed partly at implementing the plan and partly at modernizing the country.

- In the Enterprise market characterized by stable growth and a change in the revenue mix with an increase in the weight of cloud, IoT and security services, the commercial strategy is focused on the transition to advanced connectivity solutions and the development of proprietary Information and Communications Technology (hereafter "**ICT**") services, products and solutions, strengthening the integrated approach to the ICT offer to large enterprises and public administrations.

- In the Consumer and Small & Medium Business (hereafter "**SMB**") segments, TIM is engaged in strengthening its premium positioning with a greater focus on the retention of its customer base and the penetration of ICT solutions among target customers.

To mitigate regulatory constraints, reduce the level of debt, and increase the focus on the markets it focuses on, TIM has decided to move from a vertically integrated operator structure and assume a new horizontal structure, divided into separate entities:

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

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

TIM's ability to implement and achieve its strategic objectives and priorities may be influenced by certain factors, including factors outside of its control. Such factors include:

- TIM's ability to successfully compete on both price and innovation capabilities with respect to new products and services;

- a deterioration of the economic environment (also taking into consideration the impact of current inflationary environment and the energy crisis impact) in the principal markets in which TIM operates, including, in particular, its core Italian market;

- the impact of regulatory decisions and changes in the regulatory environment in Italy, Brazil and other countries in which TIM operates, including the ability of the Italian government to exercise its power with respect to entering into strategic transactions;

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

- TIM's ability to successfully implement its internet and broadband/UBB strategy (especially the FTTH);

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

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

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

- TIM's ability to build up its business in adjacent markets and in international markets (particularly in Brazil), due to its specialist and technical resources;

- TIM's ability to achieve the expected return on the investments and capital expenditures it has made and continues to make in Italy, Brazil and other countries in which it operates;

- the amount and timing of any future impairment charges for TIM's authorisations, goodwill or other assets;

- TIM's ability to manage any business or operating model transformation plans;

- any difficulties which TIM may encounter in its supply and procurement processes, including as a result of the insolvency or financial weaknesses of its suppliers; and

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

As a result of these uncertainties there can be no assurance that the business and strategic objectives identified by TIM's management can effectively be attained in the manner and within the time-frames described. Furthermore, if TIM is unable to attain its strategic priorities, or if a further deterioration of macroeconomic and geopolitical scenario would exacerbate financial market conditions in the form of higher rates, wider credit spreads and insufficient ability of the Issuer to reflect rising inflation to its customer, its goodwill may be further impaired, which could result in further significant write-offs.

Market competition

Telecommunications operators have generally faced challenging market conditions in recent years, principally as a result of the decline in voice traffic and significant pricing pressures resulting from increased competition among operators.

Strong competition exists in all principal areas of the Italian telecommunications business in which TIM operates; from the Other Licensed Operators ("**OLO**") in the Retail segment and from the Alternative Network operators ("**AltNet**") and in the Wholesale National Market (as defined below).

Competition may become even more acute in the coming years, with additional international operators accessing the Italian market.

The Italian telecommunications market continues to have an intense level of competition which generates for the TIM Group risks of a reduction in market share and pressure on prices. In the fixed market, for example, the recent launch of Iliad has added an additional risk pressure to an already complex situation.

In the current macroeconomic environment (see the paragraph *Risk Factors – Risks Relating to Macro-Economic Conditions*) TIM is introducing price mechanisms for adjusting the offer to the changed inflationary context in order to reduce the pressure on cash costs. Given the high level of competition in the market there is the concrete risk that some competitors will not follow pursuing a price-based competition resulting in reduction of the TIM's market share and further pressure on price on the Retail market segment

TIM's core business is expanding to include innovative and convergent services and offers for fixed and mobile telecommunication, as well as television content. This expansion creates new opportunities and risks for TIM, as it faces increased competition from Information Technology ("**IT**"), Over-The-Top ("**OTT**"), media and devices/consumer electronic players. The telecommunications market is also experiencing consolidation and globalization, which may further intensify competition.

TIM has entered into long-term contracts for television contents distribution that commit it to paying a guaranteed minimum amount to the counterparties. The evaluation of these contracts and the estimate of the costs associated with them, is subject to a number of risks which include, among others, market dynamics, pronouncements of the market regulatory authorities and the development of new technologies to support the services. These estimates are periodically reviewed on the basis of actual data in order to ensure that the forecast data remains within reasonably predictable ranges. Not all of the factors mentioned are under the control of TIM and could therefore have a significant impact on future forecasts regarding the performance of the contracts, the estimated margin amount (positive or negative), the cash flows that will be generated.

In addition, competition concerning innovative products and services in TIM's Italian domestic fixed-line, mobile telephony and broadband/UBB businesses, has led and could lead to:

- obsolescence of existing technologies and more rapid deployment of new technologies;
- an increase in costs and payback period related to investments in new technologies that are necessary to retain customers and market share; and
- difficulties in reducing debt and funding strategic and technological investments if TIM cannot generate sufficient profits and cash flows.

In the Brazilian market, the competitive risks are represented by the rapid transition of the business model from traditional to more innovative services. Changes in the consumption profile of the customer base (voice-to-data migration) require operators to be quick to prepare their infrastructure and modernize their portfolios of products and services. In this context, the TIM Brasil group could be impacted by the need for rapid development of technologies and infrastructures.

Competition in TIM's principal lines of business has led and could lead, to:

- price and margin erosion for its traditional products and services;
- loss of market share in its core markets;
- loss of existing or prospective customers; and
- greater difficulty in retaining existing customers.

Although TIM continues to take steps to realise additional efficiencies and to rebalance its revenue mix through the continuous introduction of innovative and value-added services, if any or all of the events described above occur, the impact of such factors could have a material adverse effect on the results of operations and financial condition of TIM Group.

Continuing rapid changes in technologies could increase competition, reduce the usage of traditional services and require TIM to make substantial additional investments.

TIM, like other operators, faces increasing competition from non-traditional data services on new voice and messaging over-the-internet technologies, in particular OTT applications such as Skype, FaceTime, Messenger and WhatsApp. These applications are often free of charge, other than charges for data usage and are accessible via smartphones, tablets and computers. These applications provide users with potentially unlimited access to messaging and voice services over the internet, bypassing more expensive traditional voice and messaging services, such as SMS, which have historically been a source of significant revenues for fixed and mobile network operators like TIM. In Italy and Brazil, an increasing number of customers are using OTT applications services instead of traditional voice and SMS communications.

Historically, TIM has generated a substantial portion of its revenues from voice and SMS services, particularly in its mobile business in Italy, and the substitution of data services for these traditional voice and SMS volumes has had and could continue to have a negative impact.

If non-traditional voice and messaging data services continue to increase in popularity, as they are expected to, and TIM is unable to address such competition, its ARPU could decline and TIM would face lower margins across many of its products and services, resulting in a material adverse effect.

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

In the fixed market, AltNets, such as Open Fiber S.p.A. ("**Open Fiber**"), have disclosed and started to implement plans to develop alternative UBB telecommunications networks in the main Italian cities and in the so-called "market failure" zones (or white areas), in which no investments by private operators were present and the UBB infrastructure is being build thanks to direct State intervention. Similar alternative developments, either on a standalone basis or through partnerships with OLOs, could adversely impact TIM's businesses, assets and goodwill and, as a consequence, its economic and financial performance.

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

System and network failures could result in reduced user traffic and reduced revenue and could harm TIM's reputation.

TIM's success largely depends on the continued and uninterrupted performance of its IT, network systems and of certain hardware and datacentres that it manages for its clients. In addition, TIM's operations involve daily processing and storage of large amounts of customer data and require uninterrupted, accurate, permanently available, real-time and safe transmission and storage of customer and other data in compliance with applicable laws and regulations.

TIM's technical infrastructure (including its network infrastructure for fixed-line and mobile telecommunications services) and the assets managed on behalf of clients, are vulnerable to damage or interruption from technology failures, power loss, floods, windstorms, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at TIM's facilities, system failures, hardware and software failures, computer viruses and cyber-attacks (information theft, data corruption, operational disruption or financial loss) and data leakage, as well as terrorist attacks against its infrastructure could affect the quality of its services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could negatively affect TIM's levels of customer satisfaction, reduce its customer base and harm its reputation.

TIM has implemented processes of vulnerability analysis, development of technical protection solutions, optimization of capital allocation on technical investments and partial financial transfer of risk to the insurance market in order to seek to address the risks described above but there can be no assurance such measures will be sufficient.

TIM's businesses are subject to cybersecurity risks.

Cybersecurity risks are among the most relevant risks for TIM due to the central role of IT in its operations.

Despite efforts to modernize the network and replace outdated systems, TIM's networks and systems are vulnerable to security threats, including cyber-attacks from internal and external sources. These attacks can disrupt service availability and compromise data, posing a significant risk to the Group's reputation as a provider of critical national infrastructure. TIM works to prevent and limit the impact of cyber-attacks, but an absolute protection cannot be guaranteed. To address these risks, the Group must continue to identify and address technical vulnerabilities and weaknesses in its processes and enhance its ability to detect and respond to incidents. This includes strengthening security in the supply chain and ensuring the security of cloud services. TIM has also strengthened security measures related to remote access and teleworking in response to the COVID-19 pandemic.

A major security incident or business interruption, or non-compliance with laws and regulations, could result in financial loss, reputational damage, market share loss, and regulatory sanctions.

TIM may be adversely affected if it fails to successfully implement its Internet and broadband/4.5G/5G NGMN strategy.

The continuing development of internet and broadband services constitutes a strategic objective for TIM that aims to increase the use of its networks to offset the continuing decline of traditional voice services. Its ability to successfully implement this strategy may be negatively affected if:

- broadband mobile coverage does not grow as TIM expects;
- competition grows to include players from adjacent markets or technological developments introducing new platforms for Internet access and/or Internet distribution;
- it is unable to provide superior broadband connections and broadband/mobile services relative to its competitors;
- it experiences network interruptions or related capacity problems with network infrastructure; and
- it is unable to obtain adequate returns from the investments related to its network development.

However, the implementation of 4.5G/5G UBB mobile technologies is dependent on a number of factors including the availability and selection of cutting-edge technology from TIM's network/platforms and device vendors.

If TIM fails to achieve its objectives for the implementation of UBB mobile coverage in a timely manner, or at all, it may lose market share to its competitors in this strategically important segment.

Any of the above factors may adversely affect the successful implementation of the strategy, business and results of operations of TIM Group.

TIM's business may be adversely affected if it fails to successfully implement its ICT strategy.

TIM intends to continue focusing on Information Technology-Telecommunication ("**IT-TLC**") convergence by addressing the ICT market, offering network and infrastructure management, as well as application management. In particular, as the market for cloud services continues to grow, the ICT market is expected to become a key element of its strategy.

For this reason, the company *Polo Strategico Nazionale* (National Strategic Hub – "**PSN**") of which TIM holds 45% of the share capital, was recently established, dealing with the design, preparation, fitting out and management of infrastructure for the supply of cloud services and solutions for the Italian Public Administration[5].

TIM anticipates that the competition in this market will intensify as new players, particularly telecommunications operators collaborating with IT operators, enter the market (see "*Market competition"*).

TIM's business may be adversely affected if it fails to successfully implement its "UBB fixed access network" strategy.

One of TIM's goals is to accelerate the roll-out of a new telecommunications network capable of providing customers with UBB connections, also thanks to the use of public funds linked to the NRRP in the regions where TIM won the tender.

However, implementation of UBB technologies is dependent on a number of factors including:

- delays in receiving the necessary permissions and authorisations for installation of lines;
- resistance by road administrators to the use of innovative techniques for excavation and the laying of fibre optic cables;
- delay in supplying of material and devices due to possible supply chain shocks;
- increase in transport, raw materials and labour cost of network companies due to inflationary pressures and increase in energy costs (see "*Risks Relating to Macro-Economic Conditions"*);
- delay in the verification and control operation by the SINFI (Sistema Informativo Nazionale Federato delle Infrastrutture)[6].

If TIM fails to achieve its objectives for the implementation of UBB coverage promptly, or at all, TIM may lose market share to its competitors in this strategically important segment, which may adversely impact the TIM Group's.

In the event of delays in the NRRP tenders, any delay in completing the roll-out is sanctioned through predetermined penalties which can be very significant and, in case of relevant delay, even result in the overall revocation of the awarded grant.

TIM business may be affected by unpredictable instant increase of traffic.

Unpredictable instant and massive increases of traffic due to, for example, video live events broadcasted over the IP network from a OTT and/or CSP, in some case strongly affect the TIM's network overall performance (both fixed and mobile) for the duration of the event, causing slowdowns or momentary blockages of communications with consequences on reputation and customer satisfaction.

[5] The acceptance by the TAR (Regional Administrative Court) of the opposition presented by Fastweb on the awarding of the tender won by TIM/CDP/Leonardo/Sogei does not highlight any risks for the company PSN and the shareholders. In fact, Fastweb would possibly be entitled to compensation for damages from the Public Administration as the activities are at an advanced level and a review of the results of the tender could lead to the loss of NRRP funding.

[6] SINFI is the tool identified for coordination and transparency for the new Italian broadband and ultra-broadband strategy. Among the functions it performs is to promote the sharing of infrastructures, through an orderly management of underground and above ground infrastructure and the related maintenance, and also to offer a single dashboard that efficiently manages and monitors all the maintenance.

TIM's business depends on the upgrading of its existing networks.

TIM must continue to maintain, improve and upgrade its existing networks in a timely and satisfactory manner to retain and expand its customer base in each of its markets. A reliable and high-quality network is necessary to manage turnover by sustaining its customer base, maintaining strong customer brands and reputation and satisfying regulatory requirements, including minimum service requirements. The maintenance and improvement of its existing networks depends on its ability to:

- upgrade the functionality of its networks to offer increasingly customised services to its customers;
- increase coverage in some of its markets;
- expand and optimise customer service, network management and administrative systems;
- expand the capacity of its existing fixed and mobile networks to cope with increased bandwidth usage; and
- upgrade older systems and networks to adapt them to new technologies and enhance architecture.

In addition, due to rapid changes in the telecommunications industry, TIM's network investments may prove to be inadequate or may be superseded by new technological changes. Its network investments may also be limited by market uptake and customer acceptance. If TIM fails to make adequate capital expenditures or investments, or to properly and efficiently allocate such expenditures or investments, the performance of its networks, could suffer, resulting in lower customer satisfaction, diminution of brand strength and increased turnover.

Many of these tasks are not entirely under TIM's control and may be affected by applicable regulation. If TIM fails to maintain, improve or upgrade its networks, its services and products may be less attractive to new customers and it may lose existing customers to competitors.

TIM's largest Shareholders; governance complexity.

TIM's governance presents a considerable complexity due to the large diffusion of its shareholding on the market with a continuous change over time. As a result of this complexity, it is possible that the Group's strategic and management decisions could be influenced, delayed or hindered, with potential consequences on the expected economic and financial results.

As of 3 April 2023, the largest shareholders in TIM are Vivendi S.A. which holds 23.75% and Cassa Depositi e Prestiti S.p.A. which holds 9.81%.

Risks related to the main sustainability issues.

The TIM Group has been actively engaging and consulting with its stakeholders for the purpose of enhancing its Environmental, Social and Governance ("**ESG**") performance for a long time. These efforts are reflected in the sustainability plan, which is a central part of the TIM Group's Strategic Plan and is based on the materiality matrix, which reflects the results of the engagement activity.

Below are the main ESG events and risks with a potential impact on the TIM Group.

Climate and Circular economy.

The TIM Group's operations and value chain has a negative environmental impact, in particular in terms of greenhouse gas ("**GHG**") emissions and of electronic waste ("**e-waste**"). The majority of GHG emissions are generated in the supply chain, while e-waste is primarily associated with end of life of mobile devices, routers and network equipment.

The TIM Group is seeing increasing requirements and expectations from customers, policy makers, investors and others stakeholders to manage these negative impacts. There is also increasing regulatory and self-regulatory pressure worldwide in relation to areas such as energy efficiency in datacentres and extending the lifetime of electronic devices. Such requirements may lead to increased costs for the TIM Group.

The TIM Group has set itself the goal of becoming carbon-neutral by 2030, also due to a commitment to purchase 100% renewable energy by 2025.

Furthermore, the TIM Group has committed to achieve net zero emissions by 2040 and to reach a 47% reduction in the emissions of its value chain (Scope 3) relating to the purchase of goods and services, the purchase of capital goods and the use of products sold to customers.

The worsening of climate change increases the likelihood and severity of extreme weather events such as heat waves floods and windstorms which may cause severe disruptions to telecommunications and ICT services, reduce the work efficiency (hours actually worked), have a consequential impact on the TIM Group's business. More extreme weather may also drive the need for additional investments in cooling technology and other more resilient infrastructure. Failure to implement circular business models such as offering of products designed with eco-sustainable criteria or the use of recyclable materials may lead to lost opportunities for cost savings and a failure to realize additional revenues.

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

Failure to close the digital divide.

The digital divide represents a major obstacle to the spread of digitisation and the related connectivity services with a risk due to the lack of correlation between the offer of advanced TLC products/services and a demand too tied to traditional products/services.

TIM is highly committed in promoting digital inclusion, in Italy also thanks to NRRP tenders such as those for *Connected Schools* and *Digital Health* or the PSN project aimed at strengthening the digitalization of the Italian public administration.

To promote digital inclusion, TIM also focuses on Digital identity services in Italy: more than five million active services between certified e-mail address ("**PEC**"), Digital Signature and Public Digital Identity System ("**SPID**") to allow citizens and businesses to access public administration's online services.

Failure to successfully implementing its strategy may lead to a reputational damage even before a revenues loss.

Failure to recruit, retain and engage skilled employees.

The ability to attract and retain qualified, specialised and motivated personnel is a key success factor for the pursuit of strategic objectives and the achievement of an adequate level of quality customer experiences.

The demand and competition for talents in the ICT and Cybersecurity sector is becoming increasingly challenging. In order to secure the right talent, TIM needs to recruit, develop and retain highly skilled employees. Failure to recruit, develop and retain necessary skilled employees may impact TIM's ability to develop new or high growth business areas and thereby deliver on its strategy as set out in the Strategic Plan.

2. FINANCIAL RISKS.

TIM's leverage is such that deterioration in cash flow can change the expectations of its ability to repay its debt and the inability to reduce its debt could have a material adverse effect on its business. Continuing volatility in international credit markets may limit TIM's ability to refinance its financial debt.

As of 31 December 2022, TIM's consolidated Gross Financial Debt was 32,245 million euro, compared to 34,097 million euro on 31 December 2021. Its Consolidated Net Financial Debt Carrying Amount was 25,370 million euro as of 31 December 2022, compared to 22,416 million euro as of 31 December 2021. TIM's high leverage continues to be a factor in its strategic decisions as it has been for a number of years and the reduction of its leverage remains a key strategic objective. As a result, however, TIM is reliant on cost-cutting to finance critical technology improvements and upgrades to its network, although it is taking steps to raise additional capital to support critical investment.

Due to the competitive environment and the continuing weak economic conditions, there could be deterioration in TIM's income statement and financial measures used by rating agencies, such as Moody's, S&P and Fitch, to assess its ability to repay its debt and determine its credit quality. Although rating downgrades do not generally have an immediate impact on outstanding debt, other than outstanding debt instruments for which the interest expense is specifically impacted by such ratings, downgrades could adversely impact its ability to refinance existing debt and could increase costs related to refinancing existing debt and managing its derivatives portfolio.

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

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

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

Fluctuations in currency exchange and interest rates and the performance of the equity markets in general may adversely affect TIM's results.

In the past, TIM has made substantial international investments, significantly expanding its operations outside of the Euro zone, particularly in Latin America.

TIM's non-current operating assets are located as follows:

- Italy: as of 31 December 2022 and 31 December 2021, respectively, 40,495 million euro (83.1% of total non-current operating assets) and 40,542 million euro (87.9% of total non-current operating assets); and

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

TIM generally hedges its foreign exchange exposure but does not cover conversion risk relating to its foreign subsidiaries. According to its policies, the hedging of the foreign exchange exposure related to the financial liabilities is mandatory. Movements in the euro exchange rates relative to other currencies (particularly the Brazilian Real) may adversely affect its consolidated results. A rise in the value of the euro relative to other currencies in certain countries in which TIM operates or have made investments will reduce the relative value of the revenues or assets of its operations from those countries and, therefore, may adversely affect its operating results or financial position.

In addition, TIM has raised, and may raise an increasing proportion, financing in currencies other than the euro, principally U.S. dollars and British pound sterling. In accordance with its risk management policies, TIM generally hedges the foreign currency risk exposure related to non-euro denominated liabilities, through cross-currency and interest rate swaps. However, hedging instruments may not be successful in protecting the TIM Group effectively from adverse exchange rate movements.

Furthermore, TIM is exposed to interest rates risk on that portion of its consolidated gross debt which is subject to the accrual of interest at floating rates; this portion represents approximately 35% of the total medium/long term consolidated debt (after lease view) as of 31 December 2022.

The decision to keep such a fixed-floating rate debt structure goes towards the goal to minimise negative interests' impact and is partially implemented through derivatives instruments whereby fixed rate liabilities are synthetically converted in floating rate ones. Any changes in interest rates that have not been adequately hedged by derivative contracts may result in increased financial liabilities in connection with TIM's floating rate debt, which may have adverse effects on the results of its operations and cash flows.

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

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

The TIM Group may be exposed to financial risks such as those deriving from fluctuations of interest and exchange rates, credit risk, liquidity risk and general trend risks of the relevant stock markets and - more specifically - risks linked to the stock price developments of shares of TIM Group's subsidiaries. Such risks can have a negative impact on the financial results and structure of the TIM Group.

Therefore, in order to manage such risks, the TIM Group has established the following guidelines to be followed in: (i) operational management; (ii) identification of the financial instruments most suitable to meet the objectives set; and (iii) monitoring the results achieved. In particular, and in order to mitigate the liquidity risk, the TIM Group aims to maintain an "adequate level of financial flexibility", in terms of cash and committed syndicated credit lines, covering the refinancing needs for the next 12-18 months at least.

Any significant increase in interest rates could therefore lead to an increase in TIM Group's debt service expenses, which would have a material adverse effect on the TIM Group, its business prospects, its financial condition and its results of operations.

3. RISKS RELATING TO MACRO-ECONOMIC CONDITIONS.

TIM's international presence enables the diversification of its activities across various countries, but it also exposes the Group to diverse legislation, as well as to the political developments and economic environments of the countries in which it operates. Any adverse developments in this regard, including exchange rate or sovereign-risk fluctuations, as well as growing geopolitical tensions, may adversely affect TIM's expected results due to their influence on customers' spending capacity and on the cost saving objectives set in the Strategic Plan.

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

The Ukraine-Russia conflict have uncertain implications that should become clearer over time. At the moment the most visible impact of the geopolitical situation on the Group's business is mainly of an indirect nature resulting in a dramatic increase in energy raw materials and transport costs.

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

The Group has no physical presence in Ukraine and has a very small presence in Russia thought its subsidiary TI Sparkle. In response to Russia's invasion of Ukraine, the EU has enacted and implemented a comprehensive set of sanctions and measures and could enact and implement wider sanctions on Russia, Russian citizens or Russian companies. The Group has implemented measures to monitor and comply with these sanctions. In respect of the possible impact of such sanctions for the Group and in particular for TI Sparkle, there could be an adverse impact in commercial relations, although there have been none to date, in the collection of trade receivables and on the assets present in the country as well as on the timeframe for the implementation of international investment projects, the valorisation of which, although still dependent on how the situation develops, is currently considered not significant by TIM.

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

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

The reopening of the Italian economy, after lifting all COVID-19 pandemic-related restrictions, and the policy measures to mitigate the impact of high energy prices on firms and households as well as a buoyant tourism season all contributed to the solid growth (close to + 3.7%) expected for the whole 2022.

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

The latest European Commission estimates indicate Italian GDP is set to grow respectively by 0.8% in 2023 and 1.0% in 2024 (*sources: European Commission IQ 2023*).

The Inflation pressure and the rising input and borrowing costs may cause a slowdown in Italy's employment rate and ultimately in the TIM's consumers' demand.

The Italian economy is facing significant risks due to an energy price shock and high inflation. The inflation rate in Italy, which has recently reached record highs of almost 12%, is putting pressure on real disposable incomes and weakening purchasing power, negatively impacting internal demand. If wages adapt to the new level of prices within a reasonable time lag (a number of wage agreements were concluded before the energy price shock commenced) and price pressures ease, private consumption may pick up again in 2024.

High input costs and a prolonged tightening of financing conditions triggered by the more stringent monetary policies introduced by the major central banks to fight inflation will likely negatively affect corporate investments. The housing market will also be negatively impacted. Government capital spending (on the back of NRRP fund financed investment) is instead expected to remain robust. Significant increase in interest expenditure and the need for fiscal discipline is expected to reduce this stimulus.

Labour demand is already decreasing in more energy-intensive sectors such as manufacturing and construction, but employment growth has also slowed down in the retail and tourism sector. In January 2023 the unemployment rate in Italy slightly rose from 7.8% to 7.9% (*sources: ISTAT report dated 3 March 2023*).

The above factors are affecting the spending capacity of TIM's consumer and business customers leading to weaker demand, customers being less willing to pay for premium services and an increase in the risk of bad debts, which could each result in a reduction in the Group's revenue and/or profit.

Risks related to the Brazilian Economy: weaker global demand and high inflation.

In 2022 the Brazilian economy grew by nearly 3 percentage points also thanks to strong consumer spending (*sources: Brazilian Institute of Geography and Statistics - IBGE*). High commodity prices have supported growth in Brazil, as the country has received higher prices for its substantial exports of oil, iron ore, and agricultural commodities. Unfortunately, the weaker global economic environment and the prospect of a global recession are lowering both prices and demand for Brazilian exports. The economy is also struggling with high inflation and higher interest rates that come with it. Although inflation has begun to ease and the central bank has paused its interest rate hikes for now, next year the economy is expected to slow down. The war in Ukraine and the global economic outlook are highly uncertain factors that will ultimately determine the cost of energy worldwide and in Brazil. Considering the high level of private (households) and public (government) debt the monetary policy the central bank will be forced to implement to tackle inflation, will strongly influence the Brazilian economy as well as the Brazilian reais exchange rate.

The scenario described could affect the Issuer's risk profile worsening the market and financial risks of the subsidiary TIM Brasil with a potential impact on revenue and financial objectives.

Unexpected and uncertain events, such as the emergence of new variants of COVID-19, could significantly affect the Group's operations.

Although the worst of the COVID-19 pandemic may have passed, the possibility of new outbreaks of the pandemic due to new variants of COVID-19 cannot be completely excluded. This could affect the TIM Group's operations. This could include, but is not limited to, a decline of roaming volumes, lower subscriber growth, increasing bad debt of business and consumer subscribers. As COVID-19 continues to spread, it is expected to have significant negative effects on network improvements and maintenance, procurement and the supply chain. As other similar pandemic outbreaks are possible in the future, similar effects could impact TIM at any time resulting in decreasing margins, lower revenues or delays in cash flows.

4. RISKS RELATED TO THE LEGISLATIVE AND LEGAL FRAMEWORK.

Because TIM operates in a heavily regulated industry, regulatory decisions and changes in the regulatory environment could adversely affect its business.

TIM's fixed and mobile telecommunications operations, in Italy and abroad, are subject to regulatory requirements. As a member of the EU, Italy has adapted its regulatory legislation and rules for electronic communications services to the framework established by the EU Parliament and Council.

Pursuant to the EU regulatory framework, the Italian regulator, *Autorità per le Garanzie nelle Comunicazioni* ("**AGCom**"), is required to identify operators with "Significant Market Power" ("**SMP**") in the relevant markets subject to regulation. On the basis of market analyses proceedings ("**Market Analyses**"), AGCom imposes requirements necessary to address identified competition problems. Current requirements are mainly focused on the regulation of TIM's wholesale business, while the regulation of retail markets has been largely withdrawn, with the exception of price tests on retail access offers (for telephone, broadband and UBB services).

Within this regulatory framework, the main risks TIM faces include the lack of predictability concerning both the timing of the regulatory proceedings and their final outcome and possible AGCom decisions that apply retroactively and their potential impact on expected TIM Group's results and on the guidance presented to the market (e.g., review of prices from prior years following the decisions of administrative courts, repricing decisions, proceedings that impact technological decisions and return on investment).

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

Regulation is a key factor in evaluating the likelihood of return on investments and therefore in deciding where to invest. Regulatory uncertainty and regulatory changes imposed on TIM can impact its revenues and can make it more difficult to make important investment decisions.

Moreover, a high level of disputes arising from operators challenging AGCom decisions before administrative courts results in an even greater degree of uncertainty with respect to rules and economic requirements.

The Italian Antitrust Authority, *Autorità Garante per la Concorrenza ed il Mercato* ("**AGCM**") and AGCom, may also intervene in TIM's business, setting fines and/or imposing changes in its service provision operating processes and in its offers. In addition, AGCom or AGCM decisions may impose constraints on the pricing of fixed and mobile offers based on consumer protection legislation.

The TIM Brasil Business Unit is also subject to extensive regulation. Its international operations, therefore, face similar regulatory issues as TIM faces in Italy, including the possibility for regulators to impose obligations and conditions on how TIM operates its businesses in Brazil as well as taking decisions that can have an adverse effect on its results.

As a result, the decisions of regulators or the implementation of new regulations in Brazil and the costs of its compliance with any such decisions or new regulations, may limit its flexibility in responding to market conditions, competition and changes in its cost base which could individually or in the aggregate, have a material adverse effect on its business and results of operations.

Due to the continuous evolution of the regulatory regime affecting various parts of its business in Italy and in its international operations, TIM is unable to clearly predict the impact of any proposed or potential changes in the regulatory environment in which it operates in Italy, Brazil and its other international markets. Regulations in the telecommunications industry are constantly changing to adapt to new competition and technology. Changes in laws, regulation or government policy could adversely affect TIM's business and competitiveness. In particular, TIM's ability to compete effectively in its existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which it is subject or extend them to new services and markets. Finally, decisions by regulators regarding the granting, amendment or renewal of its authorisations, or those of third parties, could adversely affect its future operations in Italy and in other countries where TIM operates.

The Italian government has exercised, and may in the future exercise, its significant powers with respect to TIM, including with respect to TIM's ability to enter into strategic transactions.

In 2012, regulations relating to the special powers regarding strategic assets in the energy, transport and communications sectors were published and became effective (Law Decree no. 21 of 15 March 2012, adopted with modifications by Law no. 56 of 11 May 2012 (the "**Golden Power Decree**")).

Article 1 of the Golden Power Decree (which refers to strategic assets for the defence and national security sector) grants the Italian government:

- the power to impose conditions and possibly to oppose the purchase of shareholdings by parties other than the Italian state, Italian public entities and other parties controlled by the same, so long as the stake is sufficient to compromise the interests of national defence and security. Until expiry of the period of time within which conditions may be imposed, or the power to oppose the acquisition exercised, any rights other than ownership rights connected to the relevant shares are suspended. Such rights are suspended in case of non-compliance with or breach of any condition imposed on the purchaser, for as long as the non-compliance or breach persists. Any shareholders' resolution adopted with the relevant shares providing the decisive votes, as well as any resolution or act adopted that breaches or does not comply with any condition imposed, is null and void; and

- veto power (including through the imposition of obligations or conditions) regarding any resolution (by either shareholders' meeting or the administrative bodies of the company) on any merger, demerger, transfer of business unit, relocation of registered office to outside Italy, change of corporate purpose or winding up of the company. Any resolution or act adopted in breach of these obligations is null and void. The government may also order TIM and any other party to restore the original condition.

Article 2 of the Golden Power Decree (which refers to strategic assets in the communications sector) grants the Italian government:

- the power to impose conditions and possibly oppose the purchase, under certain conditions, by non-EU entities, of controlling stakes in companies that hold the aforementioned types of assets. Until the end of a 15-day period from the notice of such purchase, during which the government may impose conditions or oppose the proposed purchase, voting rights (and any rights other than the property rights) connected to shares resulting in the change of control, are suspended. Such rights are suspended in the case of any non-compliance with or breach of the conditions imposed on the purchaser for as long as the non-compliance or breach persists. Any shareholders' resolution adopted with the relevant shares providing the decisive votes, as well as any resolution or act adopted those breaches or does not comply with any condition imposed, is null and void;

- veto power (including through the imposition of obligations or conditions) regarding any resolution, act or transaction that has the effect of modifying the ownership, control or availability of such strategic assets or changing their location, including resolutions on any merger, demerger, transfer of registered office to outside Italy, transfer of the company or a business unit which contains the strategic assets, or their assignment by way of guarantee. Any resolution or act in breach of such obligations is null and void. The government may also order the company and any other party to restore the original condition at its own expense.

In October and November 2017, the government designated certain of TIM's assets as strategic within the meaning of the above-described provisions of the Golden Power Decree and imposed various governance and organisational obligations and restrictions on TIM.

By Legislative Decree No 21 of 21 March 2022 (Urgent measures to counter the economic and humanitarian effects of the Ukrainian crisis), converted with amendments by Law No 51 of 20 May 2022, Article 1bis of Legislative Decree No 21/2012 was amended, requiring companies to notify the Government in advance, of an Annual Plan of purchases of goods and services relating to the design, implementation, maintenance and management of activities regarding 5G technology. The plan is subject to approval by the Government, possibly with the imposition of prescriptions or conditions.

The Golden Power legislation, within the framework of the provisions on National Security, has been supplemented by the legislation relating to the Cybernetic National Security Perimeter, established by Law No 133 of 18 November 2019, on the basis of which, TIM, as a strategic operator, is required to adopt security measures in order to ensure high levels of security for ICT goods (networks, information systems and IT services) of public administrations, public and private bodies and operators, as well as to notify security incidents and to carry out secure entrustment when supplying ICT goods/services within the Perimeter itself.

The exercise of special powers by the Government under the Golden Power Decree, or the mere provision of such powers, could, on the one hand, limit TIM's autonomy in carrying out its business in the context of strategic services, but, on the other hand, TIM, being a strategic operator, can guarantee advantages to its shareholders: (I) being more complex a possible change of controlling interests of TIM, thus protecting the investments; (II) ensuring a higher level of security of strategic assets and services.

TIM operates under authorisations granted by government authorities and has to satisfy certain obligations in order to maintain such authorisations.

Many of TIM's activities require authorisations from governmental authorities both in Italy and abroad. These authorisations specify the types of services the operating company holding such authorisation may provide. The continued existence and terms of TIM's authorisations are subject to review by regulatory authorities and to interpretation, modification or termination by these authorities. In addition, its current authorisations to provide networks and services require that TIM satisfies certain obligations, including minimum specified quality levels, service and coverage conditions. Failure to comply with these obligations could result in the imposition of fines or even in the revocation or forfeiture of the authorisation. In addition, the need to meet scheduled deadlines may require it to expend more resources than otherwise budgeted for a particular network build-out.

Additional authorisations may also be required if TIM expands its services into new product areas, and such authorisations may be related to auctions (e.g. in the assignment of spectrum right of use) or otherwise prove expensive or require significant cash outlays, or have certain terms and conditions, such as requirements related to coverage and pricing, with which TIM may not have previously had to comply. In Brazil, TIM also operates under an authorisation's regime and, as a result, it is obliged to maintain minimum quality and service standards. In December 2019, Anatel approved the new Telecommunications Services Quality Regulation ("**RQUAL**"), based on responsive regulation. In this new model, quality is measured on the basis on three main indicators – a Service Quality Index, a Perceived Quality Index and User Complaints Index - and operators are classified into five categories (A to E). Based on this regulation, Anatel will be able to take measures according to the specific cases, such as consumer compensation, the adoption of an action plan or adoption of precautionary measures to ensure quality standard improvements, generating a risk of impact on the amount of planned investments, on expected revenues as well as potential penalties.

After a joint effort by Anatel, operators and the Quality Assurance Support Authority ("**ESAQ**") to define the objectives, criteria and reference values of indicators at the end of November 2021, Anatel's board of directors formalized the reference documents that anchor this regulation: the Operational Manual and the Reference Values; and stipulated the entry into operational effectiveness in 1 March 2022, as well as the disclosure of official indexes, and the Quality Seal (inducing competition for quality) at the beginning of 2023, considering the results of the new monitored indicators in the 2nd semester of 2022. Until then, Anatel will continue to monitor the old indicators. The evolution of the monitoring system entails greater attention and effort on the part of the subsidiary TIM Brasil with a potential negative impact on investment and cost saving objectives.

TIM's activities could be materially negatively affected by failure to comply General Data Protection Regulation UE 2016/679 ("GDPR"), and Italian Privacy Code.

TIM has executed a deep gap analysis, identified the main issues, and consequently planned and deployed a master plan to reach full compliance with the GDPR requirements as well as with Legislative Decree 196/2003 and subsequent amendments (the "**Italian Privacy Code**").

TIM constantly monitors regulatory developments, measures and opinions adopted by the Italian Data Protection Authority ("**GPDP**") and adopts all the necessary initiatives needed to fulfil compliance with the aforementioned provisions. TIM, in this context, is also committed in maintaining and verifying continuously the effectiveness of the adopted controls.

However, the risk of deficiencies in implementing security measures, in fulfilling legal requirements on data treatment, in applying rules on data retention, in notifying data breaches within the narrow mandatory timeframes could lead to disputes with data protection authority and to be sanctioned with heavy fines. Moreover, the risk of personal data breaches with respect to personal information can lead to quarrels with the interested data subjects and damage to TIM's reputation, affecting our business.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.

The effects of, and any damage caused by, exposure to an electromagnetic field were and are the subject of careful evaluations by the international scientific community, but until now there is no scientific evidence of harmful effects on health. TIM cannot rule out that exposure to electromagnetic fields or other emissions originating from wireless handsets will not be identified as a health risk in the future.

TIM's mobile communications business may be harmed as a result of these alleged health risks. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability. In addition, although Italian law already imposes strict limits in relation to transmission equipment, these concerns may cause regulators to impose greater restrictions on the construction of radio base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

TIM faces the risk that its organisational policies and procedures embodied in the organisational model prepared pursuant to Italian Legislative Decree 231/2001 may fail to prevent certain officers and employees from engaging in unlawful conduct, for which it would be jointly liable.

TIM has put in place an organisational model pursuant to Italian Legislative Decree 231/2001, in order to create a system of rules capable of preventing certain forms of unlawful conduct by senior management, executives and employees generally that might result in liabilities for it. The organisational model is adopted by TIM and by its Italian subsidiaries. A specific version of the organisational model has been adopted by TIM S.A. pursuant to the anti-corruption Brazilian law (Law 12.846/13).

The organisational model is continuously reviewed and must be kept up to date to reflect changes in operations and in the regulatory environment. TIM has established a 231 Steering Committee (management committee composed of Group Compliance Officer, the Chief Human Resources & Organization Office, the General Counsel and the Audit Director as listener) to prepare and consider proposals for changes to the model, for submission to the Board of Directors for approval.

Notwithstanding the existence of this model or any updates that TIM may make to it, there can be no assurances that the model will function as designed, or that it will be considered adequate by any relevant legal authority. If the model is inadequate or deemed to be so, and TIM was held liable for acts committed by its senior management, executives and employees or are found otherwise non-compliant with the requirements of the legislation, TIM may be ordered to pay a fine, its authorisations, licenses or concessions may be suspended or revoked, and TIM may be prohibited from conducting business, contracting with the Italian public administration, or advertising goods and services.

5. RISKS RELATING TO LEGAL PROCEEDINGS

TIM is continuously involved in disputes and litigation with regulators, competition authorities, competitors and other parties and is the subject of a number of investigations by judicial authorities. The ultimate outcome of such proceedings is generally uncertain. If any of these matters are resolved against it, they could, individually or in the aggregate, have a material adverse effect on its results of operations, financial condition and cash flows in any particular period.

TIM is subject to numerous risks relating to legal, tax, competition and regulatory proceedings in which it is currently a party or which could develop in the future. It is also the subject of a number of investigations by judicial authorities. Such proceedings and investigations are inherently unpredictable. Legal, tax, competition and regulatory proceedings and investigations in which TIM is, or may become, involved (or settlements thereof) may, individually or in the aggregate, have a material adverse effect on TIM's results of operations and/or financial condition and cash flows in any particular period. Furthermore, its involvement in such proceedings and investigations may adversely affect its reputation.

If TIM, or another TIM Group company, faces an adverse decision in any of the legal proceedings to which it is a party, and is ordered to pay amounts greater than what it has recognised to cover potential liabilities, it may face adverse effects with respect to it and/or the TIM Group's operations, financial position, income statement and cash flows.

The final outcomes of those proceedings are generally uncertain. As of 31 December 2022, TIM had, on a consolidated basis, recognised liabilities totalling 279 million euros for those disputes where the risk of losing the case is considered probable. In recognising these liabilities, it took into consideration the risks connected with each dispute and the relevant accounting standards, which require reserves to be recognised where liabilities are probable and can be estimated reliably. The provisions represent an estimate of the financial risk connected with the particular proceedings, in line with the relevant accounting standards. Nonetheless, TIM may be obligated to meet liabilities linked to unsuccessful outcomes for proceedings that were not taken into consideration when calculating those reserves and the provisions made may not be sufficient to fully meet such obligations through use of its reserves.

Risks associated with the use of internet by TIM's customers could cause it to suffer losses and adversely affect its reputation.

Pursuant to applicable Italian regulation, TIM, as a host and provider of data transmission services, is required to inform competent authorities without delay of any alleged illegal or illicit activity by its customers of which it is aware. TIM must also provide the authorities with any information it has identifying such customers. Any failure to comply with this obligation could cause it to become involved in civil proceedings or could harm public perception of its brand and services. Any such event could result in legal and/or regulatory proceedings.

TIM is exposed to the risk of labour disputes, in particular as a result of its plan to restructure its labour costs.

The acceleration in technological transformation in the telecommunications sector has created the need to address integrated organisational review activities, digitalisation of processes and adaptation of the skills and capabilities of all staff members.

In support of the corporate transformation process and the necessary updating of the technical-professional skills of TIM's people, as well as the need to acquire professional profiles compatible with the reorganisation plan, on 5 August 2022 the Expansion Agreement, introduced to support the technological development processes of companies, tailored for employment safeguard (the "**Agreement**") was signed by the government.

The Agreement defines the measures to support the objectives of the 2022–2024 Industrial Plan to empower TIM and certain companies of the TIM Group (TI Sparkle S.p.A., Telecontact S.p.A., Noovle S.p.A. ("**Noovle**"), Olivetti S.p.A. ("**Olivetti**")) and involves about 30,000 TIM Group employees and it is based on 4 pillars:

(i) recruitment plan: targeting to hiring of specific roles and skills;

(ii) retirement plan: early retirement plan;

(iii) training and retraining project: both reskilling and paths aimed at acquiring news skills;

(iv) working hours reduction.

Overall, TIM has a relatively good relationship with its workers and trade unions. However, in 2022, there were national strikes in Italy organized by trade unions against the 2022 – 2024 Industrial Plan, which was designed to streamline TIM's operations.

RISK FACTORS RELATING TO THE NOTES

Factors which are material for the purpose of assessing the market risks associated with the Notes

Independent review and advice.

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

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Further Notes, the merits and risks of investing in the Further Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Further Notes and the impact the Further Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Further Notes, including where the currency for principal or interest payments is different from the potential investor's currency (see also "*—Risks relating to the market generally—If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes*");
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

Legality of Purchase.

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

Interest rate risks.

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

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

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

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

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

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

Risks relating to the TIM Group's Indebtedness and the Notes

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

The TIM Group currently has, and after the issuance of the Notes will continue to have, a significant amount of outstanding debt with substantial debt service requirements. As of 31 December 2022, the TIM Group had €32,245 million of gross financial debt (including lease liabilities of €5,467 million). In addition, the TIM Group's revolving credit facilities provide for additional borrowings up to an aggregate of €4,000 million, subject to certain conditions, which were unutilised on 31 December 2022. See "*Capitalisation*" and "*Description of Certain Other Financing Arrangements*". The TIM Group anticipates that its high leverage will continue to exist for the foreseeable future and the covenants under the Notes and other existing financing arrangements will provide the TIM Group with significant flexibility to incur additional debt.

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

- making it more difficult for the Issuer to satisfy its obligations with respect to the Notes and its and its Subsidiaries' other debts and liabilities, including in respect of bonds and credit facilities maturing prior to the maturity date of the Notes;
- requiring the dedication of a substantial portion of its cash flow from operations to the repayment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow, and limiting the ability to obtain additional financing, to fund capital expenditures, working capital, acquisitions, joint ventures, or other general corporate purposes;
- increasing its vulnerability to, and reducing its flexibility to respond to, a downturn in its business or general economic or industry conditions;
- placing the TIM Group at a competitive disadvantage relative to competitors with lower leverage or greater financial resources;
- limiting its flexibility in planning for or reacting to competition or changes in its business and industry;
- negatively impacting credit terms with its creditors;

- increasing its exposure to interest rate increases because some of its indebtedness bears a floating rate of interest; and
- limiting, among other things, its ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on the TIM Group's business, financial condition, results of operations, prospects and ability to satisfy its debt obligations, including the Notes.

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

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

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

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

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

In addition, the Notes are unsecured and, save as provided in Condition 3.1 (*Covenants – Restrictions on Security Interests*), do not contain any restriction on the giving of security by the Issuer over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets. See "*—Claims of secured creditors of the Issuer, if any, will have priority with respect to their collateral over the claims of unsecured creditors, such as the holders of the Notes, to the extent of the value of the assets securing such indebtedness.*"

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

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

The Notes will mature on 15 February 2028. As at 31 December 2022 upcoming maturities of financial liabilities of the TIM Group (after lease) amounted to €3.4 billion in 2023 (including a repayment of bonds in a principal amount of €1,000 million made on 16 January 2023), €4.4 billion in 2024, €3.4 billion in 2025, €4.0 billion in 2026, and €2.0 billion in 2027. In addition, the TIM Group's other indebtedness may be terminated or become repayable prior to the respective maturities of the Notes. See"— *The TIM Group will require a significant amount of cash to service its debt and sustain its operations, which it may not be able to generate or raise. The terms of the TIM Group's borrowings could materially adversely affect its financial condition.*". As a result, the Issuer may not have sufficient cash to repay all amounts owing on the Notes at maturity, since the prior maturity of such other indebtedness may make it difficult to refinance the Notes. In addition, if the Issuer's access to capital markets or its ability to enter new financing arrangements is reduced for any reason, it may not be able to refinance its existing debt on satisfactory terms or at all, which could have a material adverse effect on the TIM Group's business, results of operations, financial condition and prospects.

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

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

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

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

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

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

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

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

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

The Conditions of the Further Notes contain provisions relating to certain events constituting a Change of Control or a Network Event in relation to the Issuer. Upon the occurrence of an event constituting a Change of Control or Network Event under the Conditions of the Further Notes, each Noteholder shall have the option to require the Issuer to redeem (or, at the Issuer's option, to purchase) the Notes held by it (in whole but not in part) on the date which is seven days after the expiration of the Put Period (as defined in Condition 6.5 (*Redemption at the Option of the Holders on the Occurrence of a Change of Control and Network Event*) at 101% of their principal amount together with interest accrued to (but excluding) the date of redemption.

The source of funds for any redemption or, as appropriate, repurchase of the Notes or repayment of any other debt required as a result of any such event would be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets, sales of equity or funds provided by the Issuer's Subsidiaries. Sufficient funds may not be available at the time of any such events to make any required redemption or, as appropriate, repurchases of the Notes tendered, and the Issuer may not be able to secure access to enough cash to finance the required redemption or, as appropriate, repurchases of the Notes tendered. The inability to redeem or, as appropriate, purchase the Notes upon the occurrence of a Change of Control or a Network Event would constitute an Event of Default under the Conditions of the Further Notes, which could trigger a cross-default under other indebtedness of the TIM Group.

The Issuer's failure to repay any outstanding amounts under any other indebtedness of the TIM Group upon the occurrence of a Change of Control or a Network Event included in the terms of such other indebtedness would constitute an event of default thereunder, which could, in turn, trigger a cross-default under the Conditions of the Further Notes. In addition, the TIM Group's other indebtedness may contain restrictions or repayment requirements with respect to certain events or transactions that could constitute a Change of Control or a Network Event under the terms of the Conditions of the Further Notes.

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

The definition of "Network Event" contained in the Conditions of the Further Notes includes a disposition of all or a substantial portion (constituting more than one-half in quantitative terms) of the properties or assets comprised in the Network to a Person or Persons which are not a Subsidiary or, as applicable, Subsidiaries of the Issuer. Although there is a limited body of case law interpreting the phrase “a substantial portion”, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction or transactions would involve a disposition of all or a substantial portion (constituting more than one-half in quantitative terms)” of the properties or assets comprised in the Network. As a result, it may be unclear as to whether a Network Event has occurred and whether a holder of the Notes may require the Issuer to redeem or make an offer to repurchase the Notes.

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

The Conditions of the Further Notes and other outstanding debt agreements limit the TIM Group’s flexibility to operate its business.

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

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

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

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

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

The Notes are structurally subordinated to the indebtedness and other obligations of the TIM Group's Subsidiaries.

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

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

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

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

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

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

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

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

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

The Original Notes are rated B1, LGD4 - 51% by Moody's, B+ and a recovery rating of 3(50%) by S&P and BB- and a recovery rating of RR4 by Fitch and the Further Notes are also expected to be rated B1, LGD4 - 51% by Moody's, B+ and a recovery rating of 3(50%) by S&P and BB- and a recovery rating of RR4 by Fitch. Each of Moody's, S&P and Fitch is established in the European Union and is registered under the CRA Regulation as set out in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (at *https://www.esma.europa.eu/supervision/credit-rating-agencies/risk*) in accordance with the CRA Regulation. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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

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

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

In the event that the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) either:

(a) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 25 January 2023 in relation to the Notes and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) where a Person into which the Issuer is merged or to whom it has conveyed, transferred or leased all or substantially all of its assets is required to pay additional amounts, unless the sole purpose of such a merger would be to permit the Issuer to redeem the Notes,

the Issuer may pursuant to Condition 6.2 (*Redemption for Taxation Reasons*) redeem the Notes in whole, but not in part.

In addition, pursuant to Condition 6.3 (*Redemption at the Option of the Issuer (Make-Whole Call)*), the Issuer may choose to redeem the Notes at make-whole at times when prevailing interest rates may be relatively low.

The Issuer may also redeem all, but not some only, of the Notes under Condition 6.4 (*Redemption at the Option of the Issuer (Issuer Maturity Par Call)*) in the circumstances specified therein.

The Issuer may also, on any one or more occasions, redeem up to 40 per cent. of the aggregate principal amount of the Notes originally issued at a redemption price equal to 106.875 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant Interest Payment Date), with the net cash proceeds of an Equity Offering as further described in Condition 6.6 (*Redemption at the Option of the Issuer (Equity Offering)*).

If the Issuer calls and redeems the Notes in the circumstances mentioned above, the Noteholders may suffer a lower than expected yield and may not be able to reinvest the redemption proceeds in comparable securities offering a yield as high as that of the Notes. Prospective investors should consider reinvestment risk in light of other investments available at that time.

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

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

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

Various interest rate benchmarks (including EURIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some reforms are already effective, including the EU Benchmark Regulation (Regulation (EU) 2016/1011) and the cessation of the publication of Sterling LIBOR rates and certain tenors of U.S. dollar LIBOR rates after 31 December 2021, while others are still to be implemented.

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

The Conditions of the Further Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretion on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

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

The Conditions of the Further Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Conditions 13 (*Substitution*) and 14.2 (*Waiver, Authorisation, Determination and Exercise by the Trustee of Discretions Etc.*).

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

The Conditions of the Further Notes are based on English law in effect as at the date of this Information Memorandum. In addition, Condition 14.1 (*Meetings of Noteholders*) and Schedule 3 (*Provisions for Meetings of Noteholders*) of the Supplemental Trust Deed are subject to compliance with Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English or Italian law or administrative practice after the date of this Information Memorandum and any such change could materially adversely impact the value of any Notes affected by it. See also "— *Noteholders' meeting provisions may change by operation of law or because of changes in the Issuer's circumstances*" below.

Decisions at Noteholders' meetings bind all Noteholders.

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

Noteholders' meeting provisions may change by operation of law or because of changes in the Issuer's circumstances.

As mentioned in "— *The value of the Notes could be adversely affected by a change in English or Italian law or administrative practice*" above, the provisions relating to Noteholders' meetings (including quorums and voting majorities) are subject to compliance with certain mandatory provisions of Italian law, which may change during the life of the Notes. In addition, as currently drafted, the rules concerning Noteholders' meetings are intended to follow mandatory provisions of Italian law that apply to Noteholders' meetings where the issuer is an Italian listed company. Furthermore, certain Noteholders' meeting provisions could change as a result of amendments to the Issuer's By-laws.

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

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

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

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

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

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

The Issuer is not liable to pay any additional amounts to holders of the Notes in certain circumstances, including if any withholding or deduction is required pursuant to Decree No. 239. In those circumstances, investors will receive the proceeds of their investment in the Notes, net of applicable withholding or deductions.

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

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

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

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

Risks relating to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

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

The Further Notes are new securities for which there is currently no established market. The Issuer has made an application to list the Further Notes on the Official List of the Luxembourg Stock Exchange and admit them to trading on the professional segment of its Euro MTF Market thereof, but cannot guarantee the liquidity of any market that may develop for the Further Notes, the ability of the holders of the Further Notes to sell such Further Notes or the price at which they may be able to sell such Further Notes. Liquidity and future trading prices of the Further Notes depend on many factors, including, among other things, prevailing interest rates, results of operations, the market for similar securities and general economic conditions.

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

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

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

Additionally, the Further Notes will have different international securities identification numbers and common codes (as applicable) from, and will not trade fungibly with, the corresponding Original Notes until the Exchange Date. The Further Notes have different international securities identification numbers and common codes (as applicable), and will not trade fungibly with, the Original Notes during the period prior to and including the 40th day following the Further Notes Issue Date. Because the Further Notes will initially not be fungible with the Original Notes, a market for trading in the Further Notes may not develop, or may not be liquid, which may impact the tradability and price of the Further Notes. After the 40th day following the Further Notes Issue Date, certain selling restrictions with respect to the Further Notes will terminate and the Further Notes will become fully fungible with, and have the same international securities identification numbers and common codes (as applicable) as the Original Notes.

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

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

Legal investment considerations may restrict certain investments.

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

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

INCORPORATION BY REFERENCE

This Information Memorandum should be read and construed in conjunction with the sections of the documents incorporated by reference set out in the table below. The following documents which have previously been published and have been filed with the Luxembourg Stock Exchange, shall be incorporated in, and form part of, this Information Memorandum:

The following documents which have previously been or are published simultaneously with this Information Memorandum shall be incorporated by reference in, and to form part of, this Information Memorandum:

the English translation of the Audited Consolidated Financial Statements as of and for each of the financial years ended 31 December 2022, 31 December 2021 and 31 December 2020 of the TIM Group (respectively available at https://www.gruppotim.it/content/dam/gt/investitori/doc---report-finanziari/2022/Annual-report-2022.pdf, https://www.gruppotim.it/content/dam/gt/investitori/doc---report-finanziari/2021/Annual-report-2021.pdf, and https://www.gruppotim.it/content/dam/gt/investitori/doc---report-finanziari/2020/TIM-Annual-Financial-Report-2020.pdf) (included in the "**2022 TIM Annual Report**", "**2021 TIM Annual Report**" and the "**2020 TIM Annual Report**", respectively) in each case together with the English translation of independent auditors' reports as included on those pages specified below,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum. Any other information incorporated by reference that is not included in the cross-reference list below, is considered to be additional information to be disclosed to investors.

The following information from TIM's annual reports is incorporated by reference, and the following cross-reference lists are provided to enable investors to identify specific items of information so incorporated:

Document	**Information incorporated**	**Location**
2022 TIM Annual Report	Alternative Performance Measures	pp. 96 - 97
	Macro-Organisation Chart	p. 126
	Financial information concerning TIM Group's assets and liabilities, financial position and profits and losses:	
	Consolidated Statements of Financial Position	pp. 129 - 130
	Separate Consolidated Income Statements	p. 131
	Consolidated Statements of Comprehensive Income	p. 132

Document	Information incorporated	Location
	Consolidated Statements of Changes in Equity	p. 133
	Consolidated Statements of Cash Flows	pp. 134-135
	Notes to the Consolidated Financial Statements	pp. 136-257
	Certification of the Consolidated Financial Statements Pursuant to art. 81-ter of the Consob Regulation 11971 dated 14 May 1999, with Amendments and Additions	p. 258
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	Financial information concerning TIM Group's assets and liabilities, financial position and profits and losses:	
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	Separate Consolidated Income Statements	p. 140
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	Consolidated Statements of Changes in Equity	p. 142
	Consolidated Statements of Cash Flows	pp. 143-144
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Document	Information incorporated	Location
	Independent Auditors' Report	pp. 271 and following (pp. 1-9)
2020 TIM Annual Report	Alternative Performance Measures	pp. 103-104
	Macro-Organisation Chart	p. 132
	Financial information concerning TIM Group's assets and liabilities, financial position and profits and losses:	
	Consolidated Statements of Financial Position	pp. 135-136
	Separate Consolidated Income Statements	p. 137
	Consolidated Statements of Comprehensive Income	p. 138
	Consolidated Statements of Changes in Equity	p. 139
	Consolidated Statements of Cash Flows	pp. 140-141
	Notes to the Consolidated Financial Statements	pp. 142-287
	Certification of the Consolidated Financial Statements Pursuant to art. 81-ter of the Consob Regulation 11971 dated 14 May 1999, with Amendments and Additions	p. 288
	Independent Auditors' Report	pp. 289 and following (pp. 1-8)

USE OF PROCEEDS

The proceeds deriving from the Further Notes will be used for general corporate purposes, which is intended to refinance short-term debt.

Sources of funds	Amount (in € millions)	Uses of funds	Amount (in € millions)
Proceeds from the Further Notes offered hereby...........	403.0	General corporate purposes, which is intended to refinance short-term debt	403.0
Total sources......................	**403.0**	**Total sources**......................	**403.0**

CAPITALISATION

The following table provides the cash and cash equivalents, the current financial liabilities (short-term debt) of the TIM Group in accordance with IFRS as of 31 December 2022 and the capitalisation (i) on an actual basis, and (ii) as adjusted to give effect to the issuance of the Further Notes offered hereby and the application of the proceeds of such issuance as set forth under "Use of Proceeds".

Noteholders should read the below table together with the Audited Consolidated Financial Statements as of and for the year ended 31 December 2022 which are incorporated by reference.

	As of 31 December 2022	
	Actual	**As adjusted (unaudited)**
	(millions of Euros)	
Cash and cash equivalents(1)	**3,555**	**3,808**
Repayment of Senior Unsecured Notes (2)		(1,000)
Current financial liabilities (short-term debt)	**5,909**	**4,909**
Finance liabilities directly associated with Discontinued operations/Non-current assets held for sale	**-**	**-**
Non-current financial liabilities (long-term debt):		
Bonds	15,259	15,259
Original Notes (3)	-	850
Further Notes offered hereby (4)	-	400
Amounts due to banks, other financial payables and liabilities	6,480	6,480
Non-current financial liabilities for lease contracts	4,597	4,597
Total Non-current financial liabilities	**26,336**	**27,586**
Equity:		
Share capital	11,614	11,614
Additional Paid-in capital	2,133	2,133
Other reserves, retained earnings, including profit (loss) for the period	1,314	1,314
Equity attributable to owners of the Parent	**15,061**	**15,061**
Non-controlling interests	**3,664**	**3,664**
Total equity	**18,725**	**18,725**

(1) Represents the cash and cash equivalents of the Group as of 31 December 2022. Given ordinary course movements in the Group's cash and cash equivalents, the amount of cash and cash equivalents presented above reflects (i) the repayment, on 16 January 2023, of the Issuer's senior unsecured euro-denominated bonds in a principal amount of €1,000 million from cash and cash equivalents and (ii) the issuance of the Original Notes on 27 January 2023 by the Issuer.

(2) Represents the aggregate principal amount of 3.250% Senior Unsecured Notes repaid at maturity on 16 January 2023.

(3) Represents the aggregate principal amount of the Original Notes issued on 27 January 2023.

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

Except as described above, there has not been any material change in the capitalisation of the TIM Group since 31 December 2022. For further information, see also *"Description of Certain Other Financing Arrangements"*.

THE ISSUER

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

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

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

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

TIM's website is https://www.gruppotim.it/en.html. The information on https://www.gruppotim.it/en.html does not form part of this Information Memorandum, except where that information has been incorporated by reference into this Information Memorandum.

After the effectiveness of the demerger of Telco S.p.A. (previously the largest shareholder of TIM and whose investors were Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A. and Telefónica S.A.), on 24 June 2015, Vivendi, an integrated media and content group based in France, became TIM's largest shareholder with an ownership stake in TIM equal to 14.9% of TIM's ordinary shares. In the following months, Vivendi further increased its shareholding in TIM and, as of 13 January 2023, Vivendi holds 23.75% of the ordinary share capital of TIM. Vivendi does not hold Savings Shares and does not have different voting rights in meetings of ordinary shareholders of TIM.

As at 3 April 2023, on the basis of the results of the Shareholders' Register, the communications made to Consob and to TIM pursuant to art. 120 of the Italian Legislative Decree no. 58 of 24 February 1998 and other available information(*), the significant shareholdings in the ordinary share capital of TIM S.p.A. are:

		As at 3 April 2023	
	Type of ownership	**No. Ordinary Shares**	**% of ordinary share capital**
Vivendi S.A.	(direct)	3,640,109,990	23.75
Cassa Depositi e Prestiti S.p.A	(direct)	1,503,750,000	9.81

(*) On 14 April 2021, the temporary rules on enhanced transparency regarding changes in major holdings and statements concerning investment objectives ended. As such, as of that date, the ordinary rules will once again be applicable, as per article 120 paragraph 2 of the Consolidated Law on Finance (TUF), which provides for the obligation to notify the investee company and Consob when the stake held exceeds 3% of the capital with voting rights in a listed company.

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

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

Overview of the TIM Group's Major Business Units

TIM is the parent company of the TIM Group.

The following is a chart of the TIM Group's Business Units as at 31 December 2022:

TIM Group

- **Domestic (Italy)(*)**
  - **Consumer**
  - **Business** (Olivetti, TI Trust Technologies, Telsy, Noovle group)
  - **Wholesale National Market** (TI San Marino and Telefonia Mobile Sammarinese)
  - **Wholesale International Market:**
    - Telecom Italia Sparkle group
      - Telecom Italia Sparkle S.p.A.
      - South American subsidiaries
      - North American subsidiaries
      - European subsidiaries
  - **Other** (FiberCop S.p.A. and support structures)
- **Brazil(*)**
  - Tim Brasil Serviços e Participações S.A.
    - TIM S.A.
      - Cozani Rj Infraestructura E Rede De Telecomunicações S.A.

(*) Business Unit.

Share Capital

The table below contains a breakdown of the share capital of TIM as at 3 April 2023:

	Number of Shares	**Value**
		(€)
Issued, paid and relevant filing made with the Company Register		
Ordinary Shares [(1)]	15,329,466,496	8,381,329,775.88
Savings Shares [(1)]	6,027,791,699	3,295,673,079.22
Total	21,357,258,195	11,677,002,855.10

(1) All shares are without par value.

Business Units

Introduction

The 2022-2024 Industrial Plan announced in March 2022 launched a Group transformation aiming to overcome the vertically integrated model, based on four separate entities with different industrial and economic focuses (NetCo, TIM Consumer, TIM Enterprise and TIM Brasil). These entities cannot currently be considered an "operating segment" in accordance with IFRS 8 - Operating segments, insofar as on the one hand, the new entities are still in an analytical design phase and do not, therefore, have analytical economic-financial information available and, on the other, the allocation of resources to each new entity and assessment of the economic and financial performance on both the basis of the historic representation of the Business Units and, insofar as available, the new entities being created is ongoing by TIM's management.

The 2023-2025 Industrial Plan announced in February 2023 continues the transformation process started with the 2022-2024 Industrial Plan. In particular, thanks to the better-than-expected results recorded in 2022, the plan envisages further acceleration of the implementation of the strategy initially provided for in the 2022-2024 Industrial Plan at Group level, including through new strategies based on the improved corporate configuration made up of the four separate entities with different industrial and economic focuses that have been identified in the 2022-2024 Industrial Plan (i.e. NetCo, TIM Consumer, TIM Enterprise, and TIM Brasil).

The TIM Group Business Units described below (Domestic Business Unit, Brasil Business Unit and Other Operations Business Unit) are presented in line with the 2022 TIM Annual Report. As such, in this section, the Group's telecommunications business described below is presented geographically (i.e. Domestic and Brazil) and not in terms of the new organisational model to be implemented as envisaged under the 2022-2024 Industrial Plan. For further information on how the Group will be organised following implementation of the reorganisation envisaged by the 2022-2024 Industrial Plan, please see *"—The 2022-2024 Industrial Plan: Reorganisation*" , "*—The 2023-2025 Industrial Plan*" below and the section "*Summary—Overview—TIM's Strategy*" above.

As at 31 December 2022, the TIM Group was organised by business unit as set out below[7]:

(a) Domestic Business Unit

The domestic business unit includes operations in Italy for voice and data services on fixed and mobile networks for end customers (retail) and other operators (wholesale), the operations of the Telecom Italia Sparkle group, which, at international level (Europe, the Mediterranean and South America), develops fibre optic networks for wholesale customers, the operations of the company FiberCop for the supply of passive access services to the secondary copper and fibre network, the business of Noovle (cloud and edge computing solutions), the business of Olivetti (products and services for Information Technology) and the units supporting the Domestic sector (the "**Domestic Business Unit"**).

The principal operating and financial data of the Domestic Business Unit are reported according to the following customer/business segments:

- **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, managing and the administrative management of customers; it includes the company TIM Retail, which coordinates the activities of its stores;

[7] Please also see *Appendix 1 – Overview of Key Operating and Financial Data for the Year ended 31 December 2022*, *Appendix 2 – Overview of Key Operating and Financial Data for the Year ended 31 December 2021* and *Appendix 3 – Overview of Key Operating and Financial Data for the Year ended 31 December 2020* of this Information Memorandum and the Audited Consolidated Financial Statements, incorporated by reference in this Information Memorandum.

- **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 Italian 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;

- **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 Mobile Virtual Network Operators ("**MVNOs**"). The following companies are included: TI San Marino and Telefonia Mobile Sammarinese;

- **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, internet service providers ("**ISPs**")/ access service providers ("**ASPs**") (wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American market;

- **Other** includes:

  - **Other Operations Units**: covering technological innovation and development, engineering, construction and operating processes for network infrastructures, IT, systems and properties; and the company FiberCop S.p.A.;

  - **Staff & Other:** services provided by the staff departments and other support activities carried out by minor companies.

Domestic Customer and Lines

The table below sets forth, for the periods indicated, certain statistical data relating to the Domestic Business Unit:

Fixed

	31 December 2022	31 December 2021	31 December 2020
Total TIM Retail accesses (thousands).......	8,290	8,647	8,791
of which NGN (1)	*5,417*	*5,186*	*4,432*
Total TIM Wholesale accesses (thousands)	7,525	7,729	7,974
of which NGN	*5,171*	*4,819*	*4,220*
Active Broadband accesses of TIM Retail (thousands)	7,443	7,733	7,635
Consumer ARPU (€/month) (2)	28.3	30.1	33.0
Broadband ARPU (€/month) (3)	35.6	33.4	31.3

(1) Ultra-broadband access in FTTx and FWA mode, also including "data only" lines and GBE (Gigabit Ethernet).
(2) Revenues from organic Consumer retail services in proportion to the average Consumer accesses.
(3) Revenues from organic Broadband services in proportion to the average active TIM retail Broadband accesses.

Domestic Mobile

	31 December 2022	31 December 2021	31 December 2020
Lines at period end (thousands)	30,407	30,466	30,170
of which Human	*18,438*	*19,054*	*19,795*
Churn rate (%) (4)	13.3	14.7	18.6
Broadband users (thousands) (5)	12,577	12,783	12,818

Retail ARPU (€/month) (6)	7.1	7.5	8.0
Human ARPU (€/month) (7)	11.5	11.7	12.1

(4) Percentage of total lines that ceased in the period compared to the average number of total lines.
(5) Mobile lines using data services.
(6) Revenues from organic retail services (visitors and MVNO not included) compared to the total average number of lines.
(7) Revenues from organic retail services (visitors and MVNO not included) compared to the average number of human lines.

Domestic commercial developments

Consumer

In 2022, TIM continued its development of the network and new generation services, launching, after a one-year trial period, as the first operator in Italy to do so and among the first in Europe, a commercial service that takes FTTH fibre connections, offering high performance of up to 10 Gigabits per second, to homes, thanks to XGS-PON technology (10 Gigabit capable Symmetric Passive Optical Network).

The TIM WiFi Power All Inclusive offer yields not only speeds of up to 10 Gigabits but also the very best technology thanks to the TIM 10Gb modem that assures a powerful, stable, secure connection in all areas of the home and dedicated assistance for an extremely high-level browsing experience. The offer flanks the other offers of the new TIM WiFi Power portfolio, Smart and Top with speeds of 2.5 Gigabit in download, launched in June.

TIM has continued to develop the fixed UBB market, also with FWA technology, in a manner that complements FTTx technologies to cover the areas not previously serviced. In 2022, the FWA offer was updated with strengthened connection performance and speeds of up to 100 Mbps in download and up to 50 Mbps in upload and with the launch of a new subscription offer called TIM WiFi Power FWA. The FWA offer is also available as pay-as-you-go, with speeds of up to 40 Mbps.

Throughout 2022, TIM continued to support the adoption of new fibre technology with offers for ADSL customers already covered by the fibre-to-the-cabinet ("**FTTCab**") and FTTH service to upgrade to the new technology without additional costs and leveraging on new offer content different to that of the market and, in particular, on the TIM Per TE Casa offer, dedicated to the customer base.

For Mobile, in 2022 TIM continued to support the development of UBB, consolidating 4G and developing 5G in more than 350 cities with speeds of up to 2 Gigabits per second. In 2022, TIM also completed the switch off of the 3G network, making it possible to focus on investments in 4G and 5G technologies, which are more energy efficient and higher performing in terms of the quality of service offered to its customers.

Technological leadership means a competitive edge for TIM, which is fundamental for making it mark in a highly competitive market. Exploiting the distinctive quality of the network, TIM has been able to continue its "value" strategy, maintaining a premium position on the market, as borne out by the launch of the new TIM 5G Power offer.

TIM's smartphone portfolio has also focused on 5G, further increasing the incidence of 5G products and extending 5G to include medium and medium-low range products with prices to the public of less than 200 euros. Thanks to the partnership between TIM and Santander Consumer Bank S.p.A. for the offer of a consumer credit platform dedicated to TIM's customers (through the Joint Venture TIMFin), TIM has successfully optimized its management of working capital and improved its credit risk management. TIM Mobile customers can buy products with payments by instalments simply by activating a loan with TIMFin, as well as being able to access personalized, transparent financial and insurance solutions.

The TIM distribution network, which has an agreement with TIMFin, includes around 3 thousand dealers and more than 5 thousand points of sale (PoS) and offers capillary coverage across the country. It is mainly involved in financing smartphones, which customers pay for by instalments and in offering insurance products that are ancillary to the sale of smartphones.

The financing process is completely digital, through the use of OCR (Optical Character Recognition) tools, scoring algorithms to automatically assess customers, digital signature, OTP (One-Time-Password) to formalize contracts electronically and completely paperless documentation, so as to assure a quicker response to applications for financing and the best customer experience possible. The IT solution is entered into the information system that TIM makes available to its distribution network.

The main data of TIMFin are the following:

- an approximate total of 369 thousand loans were granted in 2022 for the purchase of devices, worth an equivalent of approximately 243 million euros (+41% on 2021);

- a total of 360 thousand factoring contracts were acquired in 2022, worth an equivalent of approximately 82 million euros (-28% on 2021);

- a total of 1,269 personal loans were granted in 2022, worth an equivalent of approximately 13 million euros.

Instead, as regards insurance distribution, together with the consolidation of "TIMFin Assicura Prestito" and "TIMFin Assicura Spesa," "TIMFin Assicura Smartphone," an ancillary insurance coverage to the sale of smartphones, which covers the repair or replacement of the smartphone in case of accidental damage and/or theft, was launched since March 2022 in cooperation with Assurant. In 2022, a total of 11,955 policies were placed for an equivalent value of approximately 3.4 million euros in premiums collected.

Moreover, in 2022 TIM continued to support the optimization and growth of the convergent customer with cross offers and benefits for TIM's fixed and/or mobile customers, both through the TIM Unica offer and with targeted convergent promotions.

With TIM Unica, the advantages of being a TIM customer, both on fixed and on mobile, are strengthened: unlimited gigabytes gifted each month to the family, discounts on mobile offers of the TIM 5G POWER portfolio and on TV offers (e.g. TimVision promotion with Disney+, offering 3 months free), Local promotion for pushing fibre in critical areas (e.g. the Milan promotion). In addition, May 2022 saw the launch of the fixed and mobile promotion to increase new accesses.

Within the Consumer offers for the family segment, in June 2022, TIM WiFi Power TV was launched, the range of offers whereby fibre is commercially combined with other packages of TimVision content, offered up in special promotions. Again in June 2022, the convergent TIM WiFi +5G Power offer was launched, for families wanting to browse without limits and with ultra-fast fibre and TIM's 5G.

Additional offers were launched during the year for under-30s, with the TIM WiFi Special Young offer and low-income families, with the *Bonus Famiglia* offer (for families with ISEE (*Indicatore della Situazione Economica Equivalente*) income of less than €20,000), in view of the closure of the government initiative linked to the vouchers.

In addition, in order to guarantee a distinctive position, TIM has continued to promote and improve its portfolio of digital services, such as: TIM PEC, SPID, Cloud Service in partnership with Google, TIM One Number, Smart mobility and TIM MyBroker. In addition, in December 2022, TIM launched the new WiFi calling service that makes it possible to talk using a smartphone where there is a lack of mobile coverage, using TIM's WiFi connection.

Small and Medium Business Segment

In 2022, TIM strengthened the positioning based on "connection strength" for the Small and Medium Business Segment too, launching 10 Gbps fibre, the first to do so in the segment in Italy, also in versions with a guaranteed minimum bandwidth, for companies with more sophisticated connectivity needs, for which the new fixed wireless access (FWA) connectivity offer has also been launched in 5G technology in the 26 GHz bandwidth (mmWave).

The fixed portfolio has also been revised, optimizing the premium quality of TIM services, both in terms of assistance (problem solving in 1 day) and performance (FTTH 2.5G and 10G) and transparency of tariffs (zero restrictions) and voucher offers were launched, dedicated to small and medium enterprises: both new customers and those already in the customer base. The offers have been constructed to maximize the target for disseminating fibre in Italy, thanks to business connectivity vouchers, available from March 2022, with an amount that varies from 300 euros to 2,500 euros.

On mobile, the new 5G Power portfolio has been launched, with the aim of better conveying the quality of the network and increasing the value of acquisitions, exploiting a range of appealing contents that can satisfy the new demands of business customers in an increasingly competitive market.

Reinforcement of commercial oversight of the most valuable customers with an increase in the number of customers managed in the caring portfolio and development of a dedicated caring model.

Consolidation of the stores channel as a commercial touch point for VAT-registered small traders.

Development of specific content for the TIM business digital channel in order to increase the acquisitions of solutions for fixed, mobile and ICT offer for the Soho market. Development of on-line services dedicated to customers on apps and the web.

Sustainability

TIM is committed to limiting its environmental impact with various initiatives, such as the sale of regenerated smartphones, exclusively Class A +, to guarantee the end customer top quality (only original spare parts) but minimizing accessories and packaging materials, as well as continuing to market "half card" SIMs (half the normal SIM card) and using recycled plastic for card carriers, thereby saving approximately 14 tons of plastic per year.

The "TIM Next" loyalty program for the Consumer segment continues, offering customers the chance to replace their smartphones with a new model, at the same time encouraging the collection and recycling of used smartphones, which are recycled.

On the SMB market, the Group continues to sell refurbished smartphones to satisfy the demands of business customers looking for sustainable purchases without renouncing performance and quality. The refurbished products have the highest level of refurbishing (first class), a 24-month warranty and a bundle pack with all-risk insurance protection included in the purchase price.

One of the pillars of the TIM strategy is the optimization of the customer base, applying a data driven logic, with the target of revenue maximization. To this end, a transformation project is in progress for the construction of a fully-automated CVM machine based on machine learning algorithms and artificial intelligence to optimize investments and increase the effectiveness of the commercial actions.

Consumer

In 2022, CVM actions focused in particular on convergence and cross selling:

- launch of cross-selling campaigns on the TIM Mobile Only customer base with a focus on TIM Unica to increase penetration of the convergent customer base and churn prevention plans with targeted offers on the customer mobile line: 1.5 million TIM Unica customers, +33% compared to 31 December 2021;

- NMP loyalty campaigns intended for specific fixed only customer targets with the aim of decreasing churn;

- Increase in the CB FTTH action plan dedicated to the technological upgrade of the customer base, with customized campaigns according to the value and needs of the customer.

Small and Medium Business Segment

The 2022 actions for the small and medium-sized enterprises have been carried out on micro clusters defined according to the analysis of the needs of customers through the cross-matching of internal data and external databases and focused on:

- government push vouchers to facilitate the technological upgrade towards TIM's fibre in particular towards the FTTH.

- Upselling of payment options with additional gigabytes on mobile.

- Cross selling of fixed and mobile for a push on convergence.

- Push on It and VoIP services differentiated by product category segment and needs.

- Prevention of churn of higher value customers at risk, identified with the enrichment of data driven predictions.

The CVM platform has been strengthened to increase the effectiveness of campaigns: the integration process with all channels has been completed in particular with the two channels (agencies and stores) that have significantly increased actions on the CB. Clustering instruments have been refined to improve control of the ARPU and optimize the economic results of the campaigns. New campaign monitoring instruments have been developed to facilitate the constant fine-tuning of selling and clusters.

Consumer

In 2022 too, a key role in support of TIM's positioning is played by the important drive on contents with the consolidation of the partnerships with Disney+ and Netflix for entertainment and with DAZN and Infinity+ for Football and Sports, above all Serie A TIM and UEFA Champions League.

TimVision is today the main aggregator of sports and entertainment content with the most complete and competitive offer on the Italian television market, also thanks to its partnerships with the main operators of the national and international market.

In order to strengthen the completeness of the commercial proposal of TimVision, in August 2022, another important partnership was launched with Amazon, which made it possible for customers to add Amazon Prime to the TimVision offer (an add-on in exchange for payment).

And again, from the perspective of the evolution of TimVision, the start in November 2022 of the migration of the TimVision technology platform towards My canal should be considered, which aims to ensure, in line with European best practices, the best experience of use and vision of contents for the end customer.

Small and Medium Business

On ICT, TIM continued to work on the consolidation of the four areas that cover the segment's main needs, starting from information security, through to collaboration, IOT and the cloud, intended as computing capacity as well as storage, data backup and the adoption of SaaS solutions. This has been achieved by streamlining sales processes and expanding the portfolio with solutions ever more tailored to the needs of SMEs.

Expansion of the ICT offer through advanced connectivity solutions (VoIP) and partnerships with major market players.

(b) **Brasil Business Unit (TIM Brasil Group)**

The Brasil Business Unit provides mobile services using universal mobile telecommunications system ("**UMTS**"), global system mobile ("**GSM**") and long-term evolution ("**LTE**") technologies. Moreover, the TIM Brasil group offers fibre optic data transmission using full IP technology, such as dense wavelength division multiplexing ("**DWDM**") and multiprotocol label switching ("**MPLS**") and residential broadband services.

The table below sets forth, for the periods indicated, certain statistical data relating the Domestic Business Unit:

	2022	**2021**	**2020**
Lines at period end (thousands) (*)	62,485	52,066	51,433
Mobile ARPU (reais)	26.1	26.4	24.9

(*) Includes corporate lines.

Brasil Commercial developments

2022 was marked by the success of the 5G launch and TIM has confirmed its leadership in coverage with the new technology. The integration of Oi, with the completion of the migration of customers and the integration of the network, is also an important result. Consequently, TIM Brasil was able to sustain a solid growth rate in mobile revenues despite the macroeconomic challenges. As regards fixed solutions, TIM Brasil is focusing on a massive migration of customers from FTTC to FTTH to maximize customer experience and profitability. Additionally, its non-core initiatives, both in IoT and digital services, grew in terms of number of partnerships and contribution to its results.

- **Marketing and brand positioning**: TIM Brasil has strengthened the credibility of its brand, supporting the social development and digitization of Brazil, while at the same time strengthening the specificity of the network quality. It has used the results in developing the network - TIM was the first operator to cover 100% of the country's municipalities and has become leader in 5G coverage - as essential elements of its communication to customers and stakeholders in general. TIM has also played a cutting-edge role in innovation in recent years and will continue to guide innovation through contents and partnerships, like those with Deezer and Amazon Prime Video and the sponsorship of Rock in Rio, the world's largest music festival, to strengthen the tie of its brand with music and entertainment. TIM Brasil has also developed many initiatives to solidify its institutional positioning, including the ESG agenda in the company strategy.

- **Mobile offers**: to accelerate growth beyond connectivity, TIM Brasil is continuing scale up partnerships leveraging its user base and key assets to expand new businesses. TIM Brasil has developed different offers for all segments. TIM Brasil has the best prepaid offer of Brazil, which through the musical streaming service DeezerGo and Amazon Prime Video, combines music and video content. In the post-paid segment, TIM Brasil has continued to work on the consolidation of its position as innovators and was the first telecommunication in Brazil to launch a free Wi-Fi service during flights for TIM Black customers, thanks to an innovative partnership with the airlines Gol and LATAM.

- **Customer Experience**: TIM Brasil is constantly working to improve its customer experience and satisfaction through the use of technology. In this regard, the evolution of AI solutions and its digital channels are key. In the 2022 Perceived Quality and Satisfaction survey run by Anatel (National Telecommunication Agency), TIM Brasil remained in first place in the classification of mobile services and was rewarded with the Reclame Aqui RA 1000 certificate for excellence in customer service. The quality of its network was also recognized by Ookla Speedtest ranking, as TIM was appointed the best video and video conference experience while having the highest 4G availability.

- **Sales channels**: TIM Brasil maintained its focus on channel productivity, segmentation, and quality of sales. During 2021, it remodelled its digital channels while reorganizing its structure to increase focus on e-commerce and in-app purchases. In 2022, TIM Brasil created a sales app for independent retailers; through the app, TIM + Vendas, independent retailers, can register with the app to re-sell SIMs and top-ups of TIM Brasil, thereby generating additional income.

- **Residential market**: in 2022, TIM Brasil focused on a massive migration of customers from FTTC to FTTH to maximize customer experience and profitability, at the same time also consolidating the asset-light model to expand its presence through partnerships with neutral networks like I-Systems.

- **Corporate**: TIM Brasil consolidated its "Leaders with Leaders" strategy in agribusiness and launched the first IoT marketplace for B2B in Brazil by promoting IoT solutions through partnerships. In addition, it launched the FCA partnership for connected cars and for industry and mining, while developing a private LTE solution for business-critical use case management. In 2022, TIM Brasil pursued new opportunities to become a complete vertical orchestrator, such as, for example, monitoring and managing company fleets and smart lighting, meter reading and distribution automation solutions.

(c) **Other Operations Business Unit**

Other operations include the financial companies Telecom Italia Capital S.A. and Telecom Italia Finance S.A. and other minor companies not strictly related to the TIM Group's core business.

The 2022-2024 Industrial Plan: Reorganisation

The 2022-2024 Industrial Plan launched a reorganisation within the TIM Group aiming to overcome the vertically integrated model, based on four separate entities with different industrial and economic focuses (NetCo, TIM Consumer, TIM Enterprise and TIM Brasil). These entities cannot today be considered an "operating segment" in accordance with IFRS 8 - Operating segments, as discussed above under "*—Business Units—Introduction*".

The financial information of the new entities presented herein has therefore been prepared by TIM's management for information and explanatory purposes only; it has not been verified by any independent third parties and, therefore, should not be considered complete and comprehensive. The accounting and consolidation principles applied are consistent with those applied for the TIM Group Annual Consolidated Financial Statements as at 31 December 2021, to which reference should be made, except for the changes to the accounting standards issued by the IASB and adopted as of 1 January 2022.

During the first nine months of 2022, the entities of the Business Units defined by the 2022-2024 Industrial Plan (NetCo, TIM Consumer, TIM Enterprise) achieved the following operative performance in organic terms[8]:

(million euros)	NetCo		TIM Enterprise		TIM Consumer	
	9 months to 30 September 2022	9 months to 30 September 2021	9 months to 30 September 2022	9 months to 30 September 2021	9 months to 30 September 2022	9 months to 30 September 2021
Revenues	3,910	4,106	2,185	2,063	4,943	5,470
Service Revenues	3,822	3,972	2,018	1,856	4,500	4,860

The Group's four key businesses (Netco, TIM Enterprise, TIM Consumer, TIM Brasil) are briefly described below.

- **NetCo**: includes the primary and secondary fixed network, as well as the domestic and international (Sparkle) wholesale businesses;

- **TIM Enterprise**: covers all the fixed and mobile commercial activities in the Consumer and Small and Medium Business (SMB) retail market. It also includes the mobile network assets and service platforms;

- **TIM Consumer**: includes all the commercial activities in the Enterprise market, the digital companies Noovle, Olivetti and Telsy and the assets relating to the data centers; and

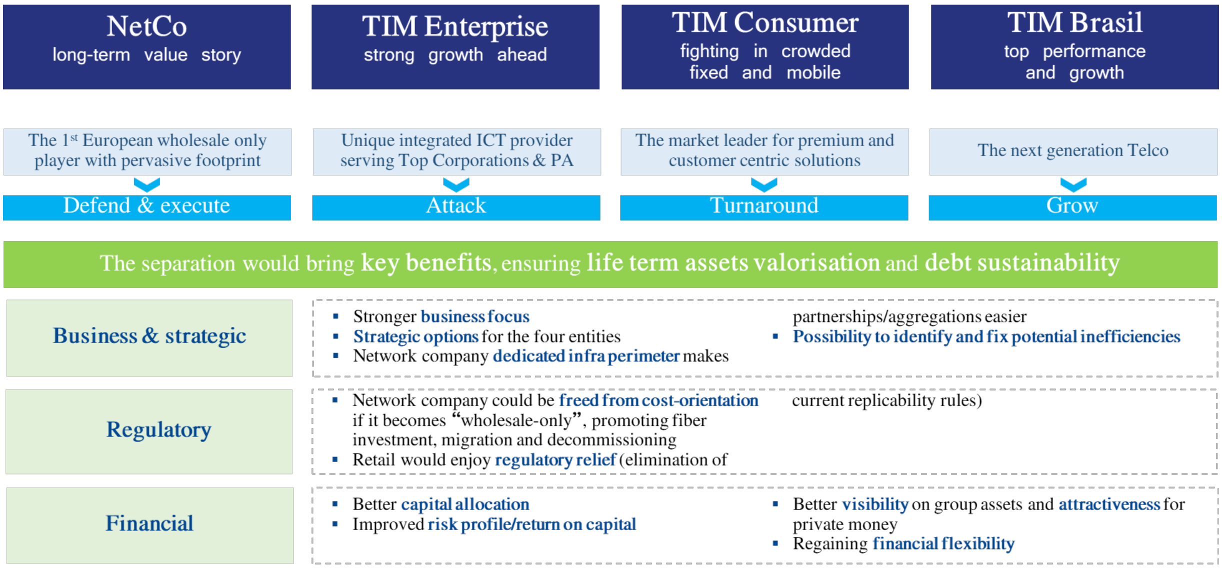
- **TIM Brasil**: See above description of the TIM Brasil Business Unit.

Each entity will be single-minded, with a focused business model, a clear set of leading KPIs, a Capex allocation tuned to its specific investment horizon and the ability to onboard talents in the new businesses.

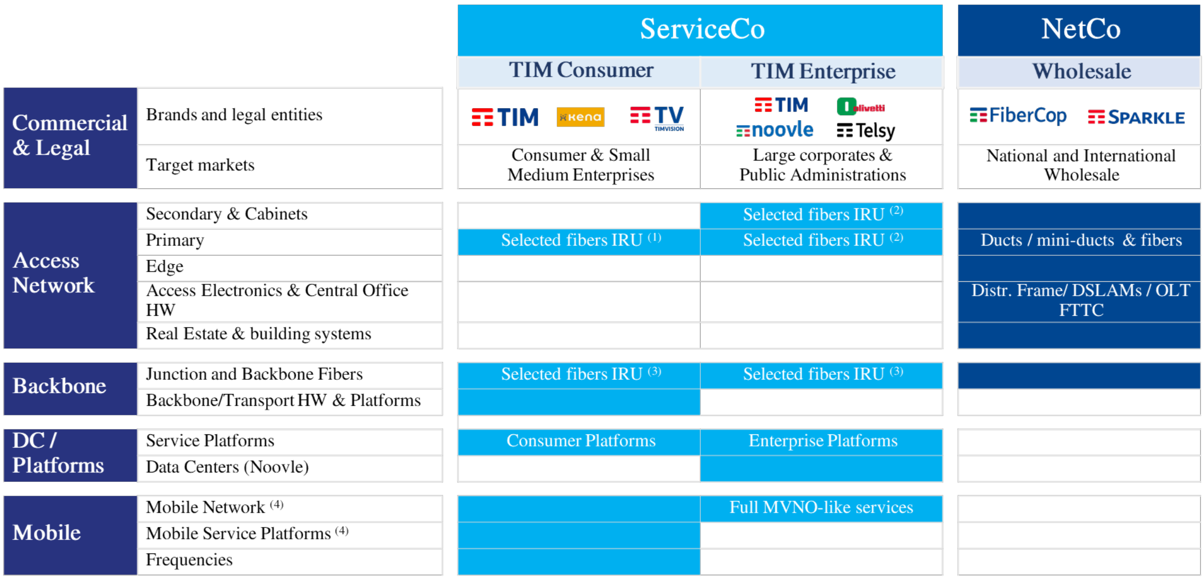
On 9 November 2022, TIM's Board of Directors approved the process for the set-up of the TIM Enterprise legal entity, in line with what announced at the Capital Markets Day held on 7 July 2022 by the TIM management team.

The chart below as presented at the Capital Markets Day held on 7 July 2022, highlights the main benefits achieved by each key business that operates in distinct markets, facing competitive dynamics and each with specific industrial focus and economics.

[8] Please see the section "*Summary Historical Financial Information And Other Data" below* for operative performance data relating to TIM Brasil.



The chart below represents the domestic perimeter of TIM following reorganisation presented at the Capitals Markets Day, which together with TIM Brasil will form the new TIM.



Finally, the table below shows certain organic figures of each key business as described above and presented on 7 July 2022 at the Capital Market's Day:

(organic figures, billion euros)	NetCo	TIM Enterprise	TIM Consumer	Tim Brasil
	For the year ended 31 December 2021			
Revenues	5.3(1)	3.0(1)	6.8(6)	2.8
EBITDA-AL	2.0(2)	0.9(4)	1.2(7)	1.1(9)
Capital expenditures	1.6(3)	0.6(5)	1.1(8)	0.7(10)

(1) Including intercompany;

(2) 38% on revenues. EBITDA After Lease slightly lower vs indicative figure published in "FY'21 Results & 2022-2024 Plan update" presentation due to change in personnel perimeter;
(3) 29% on revenues. CAPEX net of license. Capex contribution from National Recovery and Resilience Plan not included;
(4) 32% on revenues;
(5) 19% on revenues. Organic CAPEX net of license and excluding one off investments of €220m cumulated in 2023-'26 for IT system, backbone and mobile core network key components rebuild;
(6) Organic revenues net of €0.3bn one-offs in 2021;
(7) 17% on revenues. EBITDA After Lease net of €0.4bn one-offs in 2021;
(8) 16% on revenues. CAPEX net of license;
(9) 37% on revenues;
(10) 24% on revenues.

The 2023-2025 Industrial Plan

On 14 February 2023 the Board of Directors approved 2023-2025 Industrial Plan which continues the transformation process started with the 2022-2024 Industrial Plan. Despite a radically different macroeconomic context compared to last year, the 2023-2025 Industrial Plan is consistent with the 2022-2024 Industrial Plan. In particular, thanks to the better-than-expected results recorded in 2022, the plan envisages further acceleration at Group level.

The 2023-2025 Industrial Plan envisages the following strategies for the four separate entities in the new corporate configuration:

- **TIM Enterprise**: targets growth above the reference market through increased standardisation and industrialisation of offers and the consolidation of a bundled offer for public sector customers.

- **TIM Consumer**: initiatives continue to implement the premium positioning in a volume to value strategy, with the aim of differentiating TIM from the competition. TIM Consumer intends to continue the gradual repricing of the customer base, along with the introduction of inflation adjustment mechanisms.

- **NetCo**: TIM's strategic priorities are to further roll-out fixed ultra-broadband infrastructure, which will be functional to also provide backhauling to the 5G network, and to further accelerate the migration of lines to FTTH technology. In the mobile segment, the priority is to maximise 5G coverage, which by 2025 targets reaching 90% of the population.

- **TIM Brasil**: the company continues to focus on a value strategy and benefits from additional growth impetus from the integration of Oi's assets, continuing on its targeted outcome to become the best mobile player in Brazil leveraging on Oi's integration and 5G technology.

On the same date, for each of the four entities, a summary of the performance parameters has been given, and more in particular:

- **NetCo**: in 2022 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.

- **TIM Enterprise**: in 2022 recorded total revenues and revenues from services up respectively by 8% YoY and 11% YoY. The growth above the reference market thanks to the increased standardisation and industrialisation of offers and the consolidation of a bundled offer for the public administration.

- **TIM Consumer**: in 2022 recorded total revenues and revenues from services down respectively by 9% YoY and 7% YoY.

- **TIM Brasil**: in 2022 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.

In addition to the above, the 2023-2025 Industrial Plan defines the ESG priorities for all business areas and operations with the aim of improving the social and environmental impact and, at the same time, the business results. All this is achieved through the pursuit of efficiency, the use of the circular economy in processes, innovative and sustainable purchases and the supply of new services for the public administration and enterprises, driving the digital transition.

Competition in the domestic market

The market

In 2021, the Italian TLC market showed a significant reduction in revenues (-2.8% YoY) for both the fixed network (-1.3% YoY) and the mobile network (-4.6% YoY)[9].

During the first half of 2022, the reduction was accentuated of revenues (-4.4% YoY) in both market contexts (fixed network -4.4% YoY, mobile network -3.2% YoY)[10].

After the most acute phases of the Sars-Cov-2 pandemic, which struck Italy before the other European countries, in 2021, the Italian economy recorded strong growth (+6.6% YoY), approaching pre-pandemic levels. The fourth quarter of 2022 recorded a growth trend of +1.4% (4th quarter 2022 vs 4th quarter 2021)[11], while the 2022 annual change for 2022 came to +3.7%[12].

The restrictions applied to economic activities and social behaviour, which had sparked significant phenomena with impacts on the use of ICT services, were progressively attenuated and ultimately eliminated entirely.

Despite the attenuation of the restrictions, the growth of data traffic per line, which had accelerated in 2020 during the lock-down, continued in 2021 and remained, albeit with somewhat lesser intensity, in 2022 too, for both the fixed network (Jan-Sep: 2020 +40.5% YoY, 2021 +17% YoY, 2022 +6.8% YoY), and the mobile network (Jan-Sep: 2020 +54.1% YoY, 2021 +34.8% YoY, 2022 +28.0% YoY)[13].

In terms of long-term trends, the development of broadband and ultra-broadband continues to be the main factor of market evolution. The greater availability of ultra-broadband will increasingly allow operators to develop convergent offers that combine media & entertainment, IT and digital services with TLC services. The offer of these services will further increase the adoption of broadband by customers.

The Italian telecommunications market remains highly competitive, with the greatest impact of market dynamics on voice and data connectivity services. Furthermore, in the new digital world, telecommunications operators have to deal with Over The Top - OTT and device manufacturers with completely different competitive assets and logic. All this is also borne out by the major reduction in the TLC price index recorded in 2021 (-6% YoY)[14], which remains in 2022 in a context of general

[9] Source: AGCOM “2022 Annual Report” (2021 data).
[10] Source: AGCOM observatory 2nd quarter 2022.
[11] Source: ISTAT quarterly data.
[12] Source: ISTAT GDP AND AP INDEBTEDNESS 1 March 2023.
[13] Source: AGCOM observatory 3rd quarter 2022.
[14] Source: processing of AGCOM data (2022 report - 2021 data).

inflation at +9.2% with Communications at +0.8% (general trending consumer price variation index in February 2023)[15].

The traditional business models of the various market players are, therefore, changing over time to exploit new opportunities and meet the challenges posed by the new competitors:

- in the media and entertainment sector, due to the growing importance of the Internet as a complementary distribution platform, in 2021, the Italian television market saw the further development of video on demand (VOD and SVOD) services, combined with the growing diffusion of OTT services that include linear video content. The central role played by the broadband network in these new use modes sees players like the mentioned OTT, telecommunications operators and consumer electronics producers play an increasingly important role;

- in the information and communication technology market, although there was overall growth in both 2021 (+5.3% YoY)[16] and in the first half of 2022 (+3% YoY)[17], the traditional fixed-line and mobile TLC component contracted, in favor of IT components related to digital transformation, especially for large companies, for example with the adoption of cloud solutions for their technological infrastructures. In this sector, telecommunications operators have been strengthened, including through partnerships, to take advantage of the growth that, in the next few years, will be driven by the digitalization of SMEs and the investments of the NRRP.

With regards to the current positioning of the telecommunications operators in convergent markets, certain trends are seen, already mentioned above with different levels of evolution:

- the development of new services in the sector of media and entertainment (TV, Music, Gaming) and new digital services (smart home, digital advertising, mobile payment-digital identity);

- the development of innovative services in the IT market, particularly cloud, IoT and cybersecurity services.

As regards 5G, after the assignment of frequencies in 2018 and the launch of the service by TIM and Vodafone in 2019, by Wind Tre, Fastweb and Iliad in 2020, 2021 and 2022 were characterized by the progressive deployment of the network on the national territory.

Competition in fixed telecommunications

The fixed-line telecommunications market has continued to see a downturn in access and voice revenues, while broadband and ultra-broadband revenues have shown growth. In recent years, service providers have mainly focused on expanding penetration of broadband and ultra-broadband services and defending voice revenues by introducing bundled voice, broadband and service deals in highly competitive environment with consequent pricing pressure.

In March 2022, the total number of fixed accesses recorded its sixth consecutive quarter of growth, with a significant reduction in June 2022 and a slight recovery in the third quarter of 2022[18].

The market scenario shows significant infrastructural interventions, not only by TIM but also by other subjects, first and foremost Open Fiber, Infratel (operative company of the Ministry of Economic

[15] Source: ISTAT - Consumer price index for families of blue collars and white collars at October 2022.
[16] Source: Assinform – "Il digitale in Italia 2022" (2021 data).
[17] Source Anitec-Assinform - "Il digitale in Italia 2022 vol.2 (data 1st half 2022).
[18] Source: AGCOM observatory 3rd quarter 2022.

Development) and Fastweb, which have submitted and are deploying in a great many areas of the country, the development plans for their fibre optic telecommunications networks.

Competition in the Italian fixed-line telecommunications market is also characterized by the presence of other service providers besides TIM, such as Wind Tre, Fastweb, Vodafone, and Sky, which have business models focused on different segments of the market. 2022 saw Iliad enter the ultra-broadband connectivity sector, which reached around 84 thousand customers in September 2022[19].

The broadband market records a progressive increase in the penetration of ultra-broadband lines with speeds in excess of 30 Mbps (FTTC, FTTH) with respect to the total number of broadband lines.

The spread of broadband continues to be driven not only by enabling devices (e.g. smart TV, smart speakers, smart devices) but also by the growing demand for speed and the introduction of new IP services, which are becoming ever more popular (media and entertainment, IT, digital services).

Competition in the mobile telecommunications sector

In the mobile market, the solid growth continues of the machine to machine (M2M) SIMs, despite the fact that the recent outlook has led to a slow-down in the 3rd quarter of 2022, whilst human SIMs, after a long series of quarters posting a decline, starting the 2nd quarter of 2021 have returned to growth.

Alongside innovative services that have already caught on and are under full-scale development, as in the case of mobile apps, there are other market environments, associated with the development of mobile broadband, with significant potential for growth in the medium term, such as the Internet of Things and mobile payment.

The competitive scenario of the Italian mobile telecommunications market in 2022 continued to be characterized by an aggressive offer from the operator Iliad in terms of price and volume of data, followed by those of other operators, resulting in general pressure on market prices. The operator Iliad and the virtual operators in general continue to win over customers and, consequently, market share, to the detriment of other infrastructure operators, mainly those with the highest market share.

This scenario has continued to lead to a drop in comprehensive mobile revenues in the first half of 2022 (-3.2% YoY)[20], even if competition pressure on tariffs has eased, with the main mobile operators having adopted a “more-for-more” commercial positioning, increasing prices in exchange for better network performance and better overall quality of service.

The competition on 5G continues with the simultaneous presence of TIM, Vodafone, Wind Tre, Iliad and Fastweb for mobile offers and a progressive coverage of the main cities. The spread of 5G has also begun in the business segment, enabling specialized solutions for the vertical markets, even if the spread of these services in this segment has not yet taken off.

Competition in the Brazilian market (source: Anatel)

In 2022, the macroeconomic scenario remained under pressure due to inflation, mainly due to food and energy prices and interest rates. The entire process of the presidential elections entailed great uncertainty and volatility, leading to the deferral of investments. The contention is clearly polarized between two populist candidates, which has increased the country’s tax risk. Luiz Inácio Lula da Silva, who won, had suggested to the market that he would have been able to construct a pragmatic government, close to that of his first mandate, but the choices that he made for the main country ministries have given rise to some doubts. If the market previously believed that the interest rates had now stopped rising and that they would have started dropping in the first half of 2023, now a new increase cannot be excluded,

[19] Source: AGCOM observatory 3rd quarter 2022, Iliad 2.6% share on FTTH lines.
[20] Source: AGCOM observatory 2nd quarter 2022.

which would delay the start of the reduction. In addition, on the international scene, the war in Ukraine that broke out at in early 2022 has had repercussions on the world economy, in particular on the increase in inflation.

Forecasts for the coming years still suggest a difficult context: volatility looks set to continue at least for the whole of 2023, in light of the uncertainty of the electoral outcome, the poor economic growth that limits the capacity to support an increase in income despite an employment rate up since 2021 and the persistent inflation that requires costs to be managed. As interest rates have been increased in a bid to slow inflation, TIM expects to see investors shift towards bank investments and a simultaneous distancing from the stock market.

Maintenance of the “Auxílio Brasil” at 600 reais, with a supplement of 150 reais for each child aged up to six years old and the increase in the minimum wage with respect to that established previously can support consumption, including that for telecommunications services.

The mobile telecommunications sector was consolidated in 2022 with the finalization of the sale of Oi. The buying companies are migrating their customer base and infrastructure. With one operator fewer, the sector has seen some rationality prevail in the market and in competition, with service providers maintaining their focus on the development of offers that are increasingly attractive to consumers, not only in terms of price but also with additional services, for example through partnerships with companies supplying streaming of video contents. The great challenge consists of increasingly involving customers, offering a more convenient, more fluid end-to-end experience with all-digital integration solutions in order to reduce the churn and seek to monetize the customer base.

In the prepaid segment, in November 2022, the customer base had declined by 5.4% YoY, but the impact of the acquisition of the Oi customer base by TIM, VIVO and Claro, following the switch-off, was strong. With Oi leaving the market (the most aggressive operator in terms of price) and the consequent lesser competition, greater rationality is expected on the market. The main aim of market operators was to increase the percentage use of services, leveraging the SIM card consolidation process in progress on the market, encouraging migration towards weekly (and monthly) or hybrid (Controle postpaid) plans, offering a range of service bundles according to the needs of customers (unlimited voice calls or data packages). This strategy aims to improve the customer base mix and ensure greater stability (and a reduction in the churn rate) and the growth in ARPU.

In November 2022, the postpaid mobile telephone segment recorded an increase of 6.1% YoY of the customer base, thanks in particular to the growth of the M2M market but also with significant growth in the postpaid, ex-M2M, market. This market still suffers the effect of migrations from the prepaid segments to hybrid “controle”, but this year was particularly marked by the acquisition of the Oi customer base by TIM, VIVO and Claro, following the switch-off. With Oi off the scene, TIM expects to see greater market rationality. This growth is based on offer segmentation strategies, through the introduction of distinctive characteristics in the use of data services (e.g. unlimited use of data on specific apps such as WhatsApp, Facebook, Twitter, Netflix, etc.) in pursuing a “More for More” policy logic that aims to guarantee a greater stability of prices and an effective repositioning of the customer base on higher value offers (voice + data + bundle with OTT contents).

Service quality is still an element of differentiation. The telecommunication suppliers that have invested more in the development of 4G networks (coverage and capacity) and in the improvement of processes shaping customer experiences will have a greater capacity to apply premium prices because customers increase their expectations and assign increasing importance to the quality of data services and higher value contents. The main mobile operators already provide 4G coverage for over 99.8% of the Brazilian population (up to November 2022), with the three main operators offering average 4G availability in excess of 94% (according to the December 2022 Teleco report).

After the 5G auction in November 2021, 2022 was marked by the beginning of implementation of 5G in the country by operators. First, 5G was implemented in the country's major capitals and now will be following the schedule established on the auction of the most populous cities until completing all the municipalities. Operators' ultimate goal is to be able to increase mobile ARPU due to the consumption of new services enabled by 5G (e.g.: latency-based rates, additional features such as entertainment packages). The 5G is expected to bring new applications for B2B segment in a lot of industries. The 5G market already reached 5.1 million subscriptions by November 2022 (representing 2% of the market).

The fixed broadband market registered a slowdown growth in the last year with growth of +7.7% in November 2022 (YoY), against +11.7% in November 2021 (YoY), maybe impacted by smaller Internet service providers (ISPs) underreport. The growth comes mainly from ISPs (+16.6% YoY in November 2022), which tend to offer cheaper services and reach areas where traditional operators have limited infrastructure. The main IPOs that took place in 2021 (Brisanet, Unifique and Desktop) besides other investment in ISPs brought some capital to increase coverage. As a result, traditional incumbent operators are experiencing sharp declines in their customer base, with the exception of TIM Live and Vivo. Population penetration rates are still quite low (around 60%, reaching 72 million households in Brazil in 2022) when compared to many other countries, which means that there are good opportunities for growth in the medium term, sustained by the improvement of the macroeconomic situation.

In this context, in 2017 TIM adopted a commercial strategy to enable TIM Live to expand coverage and its customer base, offering ultra-broadband internet services, mainly through FTTH, not only in some of the largest cities of Brazil, but also in cities where opportunities are available for a similar high-quality service. In addition, focusing on reducing friction points to improve retention. TIM Live has a customer base of over 712 thousand users in November 2022 (an increase of 4.2% year on year). In order to achieve faster and smarter growth, the way was to carve-out fibre assets and deployment of asset light model to accelerate footprint growth. TIM Live was recognized for the 6th year as the best broadband service by a major Brazilian newspaper.

REGULATION

As a telecommunications operator, the TIM Group is subject to sector-specific telecommunications regulations, general competition law and a variety of other regulations, including privacy and security, which can have a direct and material effect on the TIM Group's business areas.

This section describes the legislative framework and the recent legislative key developments.

THE EU REGULATORY FRAMEWORK

TIM's operations within the European Union ("**EU**") are subject to the EU regulatory framework for electronic communications networks and services, which includes directives, regulations, recommendations and communications. As a Member State of the EU, Italy is required to transpose directives issued by the EU into national legislation. The regulations are applicable and binding for any Member State without the need for transposition into national law. Recommendations and communications are also directly applicable, but they are not legally binding: National Regulatory Authorities ("**NRAs**") and Member States have to take them into account in their activities.

NRAs are independent bodies tasked with regulating and supervising the telecommunications sector and compliance with the EU framework in each Member State. In Italy, this body is the "Autorità Garante per le Comunicazioni" ("**AGCom**") while the Ministry of Economic Development ("**MISE**") is responsible for the national broadband plan, spectrum and numbering management, integrity and security of the network.

On 20 December 2018, Directive (EU) 2018/1972 establishing the European Electronic Communication Code (the "**EECC**") entered into force. The Directive reviews and combines in one document the "Framework", "Access and Interconnection", "Authorisation" and "Universal Service and Users' Rights" Directives (the revision of the Privacy and Data Protection Directive, the so-called e-privacy Directive, is ongoing under separate proceedings), On the same date, Regulation 2018/1971 also entered into force, replacing the former Body of European Regulators for Electronic Communications ("**BEREC**") Regulation (EC) 1211/2009.

The EECC includes measures to promote wholesale-only models of investments and stimulate investments in very high capacity network ("**VHCN**"), new rules on spectrum (e.g. minimum licence duration) to improve certainty on investment return, changes to regulation of services, introducing an improved level playing field between telecom operators and new OTT players, and the introduction, in the scope of Universal Service Obligation ("**USO**"), of the affordability for consumers (with low income or special social needs) of adequate broadband internet access service and voice communications services at least at a fixed location.

In addition, Regulation (EU) 2018/1971, by amending Regulation (EU) 2015/2120, introduces price caps for five years to be applied from 15 May 2019 on Intra-EU international fixed and mobile calls (Euro cents ("**c€**") 19/min+VAT) and SMS (c€ 6/SMS+VAT) for consumers.

The Commission Delegated Regulation (EU) 2021/654 of 18 December 2020 concerning EU maximum termination published in the OJEU of 22 April 2021 sets the single maximum EU-wide wholesale rates for fixed and mobile voice termination at 0.07 €cent/min and 0.2 €cent/min respectively. The EU-wide caps shall apply from 1 July 2021, replacing the regulated fixed and mobile termination rates set by individual NRAs. For the mobile rate a three-year glide path applies to allow a smooth transition to the target price: 0.7 €cent/min (0.67 €cent/min for Italy) up to end-2021, 0.55 €cent/min in 2022 and 0.4 €cent/min in 2023).

The Commission Recommendation EU 2020/2245 of 18 December 2020 on "relevant product and service markets susceptible to ex ante regulation" (Commission's Recommendation on relevant markets) completes this set of legal instruments with the definition of a list of relevant markets “whose characteristics may be such as to justify the imposition of regulatory obligations”. Since the first Recommendation in 2003, following the growth of the competition in the whole sector, the number of relevant markets subject to *ex ante* regulation has been reduced over time from 18 to 2:

1. wholesale local access provided at a fixed location; and

2. wholesale dedicated capacity.

In September 2016, through the Gigabit Society Communication, the European Commission set the following (non-binding) additional targets for the year 2025:

- gigabit connectivity for all main socio-economic drivers such as schools, transport hubs and main providers of public services as well as digitally intensive enterprises;

- connectivity of at least 100 mbps download (upgradable to gigabit speed) for all European households; and

- uninterrupted 5G coverage for all urban areas and major terrestrial transport routes (as an interim target, 5G should be commercially available in at least one major city in each EU Member State by 2020).

On 9 March 2021, the European Commission adopted the Communication COM (2021) 118 final concerning 2030 digital compass: the European way for the digital decade. The communication sets targets and avenues for a successful digital transformation of Europe by 2030 focusing on four cardinal points:

1. digitally skilled citizens and highly skilled digital professionals: at least 80% of all adults with basic digital skills and 20 million employed ICT specialists in the EU (with more women taking up such jobs);

2. secure, functional and sustainable digital infrastructures: gigabit connectivity for all EU households and 5G coverage for all populated areas; the production of cutting-edge and sustainable semiconductors in Europe equating to 20% of world production; 10,000 climate-neutral highly secure edge nodes in the EU; and the first quantum computer in Europe;

3. digital transformation of businesses: three out of four companies use cloud computing services, big data and artificial intelligence; more than 90% SMBs with at least a basic level of digital intensity; and doubling of EU unicorns;

4. digitalisation of public services: all key public services available online; all citizens with access to their e-medical records and 80% of citizens using an eID solution.

On 12 December 2022, the European Commission adopted the new Guidelines on State aid for broadband networks C(2022) 9343 final, which update the rules on State aid granted by Member States for the deployment of (fixed and mobile) broadband networks and the take-up of available broadband services to support the digital transition. The Guidelines were published in the Official Journal of the EU on 31 January 2023.

On 19 December 2022, the Decision (EU) 2022/2481 establishing the Digital Decade Policy Programme was published in the Official Journal of the EU. The policy programme introduces a novel form of governance based on cooperation between the member states and the European Commission to ensure that the Union jointly achieves its ambitions. The initiative will enable EU countries to work closely together and pool resources in order to make progress on digital capabilities and technologies that individual member states could not reach on their own. The ultimate goal is to achieve a digital transformation that empowers citizens and businesses, in line with the EU's values.

On 23 February 2023, the European Commission adopted a proposal for a 'Gigabit Infrastructure Act', a Regulation that will review the current Directive 2014/61/EU with the aim of setting new rules to enable faster, cheaper and more effective rollout of Gigabit networks across the EU. The Regulation regards measures on (symmetric) access to existing physical infrastructure, coordination of civil works, permit granting procedures and in building physical infrastructure. Upon adoption of the Commission's proposal by the co-legislators, the new rules will be directly applicable in all the Member States.

On the same date the Commission also unveiled the draft Gigabit Recommendation that, once adopted by the Commission, will replace Recommendation 2010/572/EU on the regulated access to NGA networks and the Recommendation 2013/466/EU on non-discrimination and costing methodology.

1. *International Roaming*

Intra-EU roaming services are regulated by the roaming Regulation 2022/612 which provides for the prolongation of the Roam Like at Home (RLAH) regime, which abolishes any roaming service surcharge on top of domestic service prices, subject to "fair use" limits to avoid abuses, until 30 June 2032.

For intra-EU traffic exceeding the fair use limits, operators are allowed to levy a surcharge on top of domestic tariffs. Such a surcharge is capped at the following wholesale caps.

		from 1/7/2022	**from 1/1/2023**	**from 1/1/2024**	**from 1/1/2025**	**from 1/1/2026**	**from 1/1/2027**
Voice	*€cent/min*	2.2	2.2	2.2	1.9	1.9	1.9
SMS	*€cent/SMS*	0.4	0.4	0.4	0.3	0.3	0.3
Data	*€/GB*	2.0	1.8	1.55	1.3	1.1	1.0

The regulation introduced further benefits and protections for consumers:

- quality of service: roaming providers are obliged to offer the same quality of service in roaming as is experienced at national level, if the same conditions are available on the network in the visited country;
- improved access to free emergency services; and
- greater transparency on the costs of value-added services as well as on roaming costs on non-terrestrial mobile networks (ships and planes).

The roaming regulation also foresees a review of the price caps for intra-EU international fixed and mobile calls, introduced by Regulation (EU) 2018/1971, by 14 May 2024.

2. *Net Neutrality*

The TSM Regulation introduced rules on Net Neutrality, which have applied since April 2016. In particular, the TSM Regulation:

- establishes the right of end-user access to distribute information and content, use and provide applications and services and use terminal equipment of their choice and forbids internet service providers from blocking or slowing down specific content, applications or services, except in a very limited set of circumstances;

- allows reasonable traffic management aimed at improving the quality of the network based on objectively different technical quality of service requirements for specific categories of traffic. However, such traffic management must be transparent, non-discriminatory and proportionate and it must not be based on commercial considerations;

- allows operators to offer services, other than internet access services, which are optimised for specific content, applications or services only if the network capacity is sufficient to provide them in addition to any internet access services provided and the offering of such services is not to the detriment of the availability or general quality of internet access services for end-users; and

- allows commercial practices subject to monitoring by the National Regulatory Authority. Contrary to BEREC's and NRA's previous indications, the European Court of Justice (ECJ) rulings in September 2021 established that zero rating[21] infringes the Net Neutrality rules and is not allowed.

The TSM Regulation also places additional transparency obligations on providers of internet access services in addition to those already included in the Electronic Communications Regulatory Framework.

3. *Privacy and Data Protection*

TIM must comply with the General Data Protection Regulation UE 2016/679 ("**GDPR**") since May 2018 (and with the provisions of the Italian privacy code still in force). The new regulation has adopted a risk based approach, allowing a higher degree of flexibility for service providers to process personal data, while ensuring a high level of protection of personal data of individuals. The GDPR introduces administrative fines of up to 4% of an undertaking's annual global turnover or up to Euro 20,000,000, whichever is higher, for breaching the new data protection rules.

TIM has put in place a specific project to carry out all the activities needed to ensure its compliance with the new rules introduced by the GDPR.

While the GDPR is a horizontal regulation, applying to all categories of providers, TIM must also comply with the complimentary sectorial rules (Directive 2002/58/EC, the so called "e-Privacy Directive"), currently under revision, which imposes additional limitations on the data processing by operators of electronic communications services. The EC proposal aligns the fines for non-compliance to those of the GDPR.

4. Security

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

NIS2 sets forth the extension of the scope of application of the rules on the security of networks and information systems, including - on the one hand - sectors currently covered by other regulations, which are simultaneously repealed (i.e. the security measures of networks and services of electronic communications, currently included in the European Electronic Communications Code) and - on the other hand - extending the rules to new subjects (e.g. Data centres, CDNs, etc.).

[21] Zero-rating (also called toll-free data or sponsored data) is the practice of mobile network operators (MNO), mobile virtual network operators (MVNO), and Internet Service Providers (ISP) not to charge end customers for data used by specific applications or internet services through their network, in limited or metered data plans. It allows customers to use provider-selected content sources or data services like an app store, without worrying about bill shocks, which could otherwise occur if the same data was normally charged according to their data plans and volume caps. This has especially become an option to market 4G networks but has also been used in the past for SMS or other content services.

NIS2 maintains the obligation to adopt security measures proportionate to the risk, however introducing a series of minimum requirements, including supply chain security management, and revises the mandatory notification procedure for cyber incidents.

The penalties for non-compliance can be up to 2% of annual turnover.

THE ITALIAN REGULATORY FRAMEWORK

The main legal references for the electronic communications sector in Italy is the "Electronic Communications Code" (ECC), which transposed into national law the EU Access, Authorisation, Framework and Universal Service directives. With the law no. 119/2018 dated 18 December 2018, the Government amended the ECC introducing the power for AGCom to define adequate measures of investment remuneration to incentivise the merger of different access networks placed under the control of a non-vertically integrated subject offering only wholesale network services.

The new ECC, approved by the European Commission with Directive 2018/1972, was transposed into Italian law on December 2021.

Moreover, there are other laws affecting TIM's business which govern non-sectorial areas such as consumer, data and security protection, high consumption of electricity and gas, and laws which govern specific aspects of the communication sector such as: Decree-Law no 76/2020 (converted into Law no. 120 of 11 September 2020) and Decree-Law no. 77/2021 (converted into Law no. 108 of 29 July 2021), known as "*Simplification Decrees*", which contain important simplification measures to accelerate the completion of both 5G and the ultra-broadband fibre optic networks.

In this regard, also:

- Decree - Law no. 21/2022 (also known as "*Ukrainian Decree*"), converted into Law no. 51 of 20 May 2022, which contains important simplification measures for the development of the mobile network.

- Decree - Law no. 36/2022 (also known as "*PNRR 2 Decree*"), converted into Law no. 29 of June 2022, which introduces measures in "Electronic Communications Code" (ECC), in particular, simplified authorization measures for mobile network development.

- Decree - Law no. 13/2023 (also known as "*PNRR 3 Decree*"), presented to the Italian Parliament, which introduces other important simplification measures in the authorization process, and for the development of fixed and mobile ultra-broadband.

During 2022, the Italian Government, in order to contain the effects of the increase in the price of electricity and gas, has also approved measures to support companies (energy consuming and not), in particular, the Decree Law, also known as "*Decreti Aiuti*", and the "Budget Law 2023" (Law no 197 of 29 December 2022) which increased the tax credit on the consumption of energy and gas for the companies (for the first quarter of 2023 has been disposed tax credit increase of 35% for electricity and 45% for gas).

Market analyses

The EU regulatory framework requires that National Regulatory Authorities carry out market analyses before imposing obligations on individual operators having a significant market power ("**SMP**") according to the specific EU guidelines.

A description of the Italian wholesale market analyses is summarised below, together with the main recent developments regarding the electronic communications markets.

Wholesale fixed access markets

Decision No 348/19/CONS published on 8 August 2019 set the obligations and economic conditions of wholesale access services for the period 2018-2021.

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

With Decision No 637/20/CONS, published in December 2020, the Authority started the coordinated analysis of the markets for fixed network access services pursuant to Article 50-ter of the Code and, at the same time, launched the public consultation on the voluntary separation project of TIM's fixed access network, whose outcomes were published in October 2021 with Decision No. 253/21/CONS.

This procedure, which should be completed in the course of 2023, will update the regulatory framework for the markets for wholesale fixed network access services on the basis of changed competitive conditions and new market structures, including the new corporate and organisational structure of TIM, which is in the process of being established, and the TIM commitments relating to the offer to co-invest in a VHC network submitted pursuant to Articles 76 and 79 CCEE, as will be made binding by the Authority at the end of the evaluation procedure.

TIM's transformation plan

At the meeting on 6 July the Board of Directors approved the Issuer's strategic reorganisation objective aimed at overcoming vertical integration and gave the CEO the mandate to evaluate and submit to the Administrative Body for the decisions of the case, any transactions and possible agreements for the transfer and valuation of certain TIM Group assets, appropriate to the achievement of that strategic target.

The transformation plan, which will require approximately 15-18 months, provides in particular for the separation of fixed network assets, including the primary and secondary access network in copper and fibre, the wholesale domestic activities and the shareholdings held in FiberCop S.p.A. and TI Sparkle S.p.A., which will be merged into NetCo.

The TIM fixed network separation plan announced to the market represents, both in terms of infrastructure and future governance, a clear departure from the FiberCop separation model of the copper and fibre secondary access network only, notified to the Authority, pursuant to art. 89 of the new Electronic Communications Code (ex-art. 50ter CCE), dated 2 September 2020 and the subject of the procedure of coordinated analysis of access markets started by Decision No. 637/20/CONS.

Co-investment Offer in a VHC network

On 20 January 2021 TIM notified to the Authority an offer to co-invest in the construction of a new fibre network pursuant to Articles 76 and 79 of the New European Code of Electronic communications (CCEE) in order to assess its conformity with the aforementioned art. 76 for the deregulation of the new fibre infrastructure.

This offer was subsequently amended and integrated by TIM in March, April and finally in December 2021 in light of the indications provided by the Authority in the "Preliminary Conclusions" transmitted to TIM at the end of the market test commenced by Decision No. 110/21/CONS.

The co-investment project is open to any provider of electronic communications networks or services and is the first case of European co-investment at a national level and the application of the new Code.

In particular, the project will achieve a total of 9.7 million THH (Technical Households) in 2,549 municipalities by April 2026.

On 11 January 2022, AGCom published Decision No. 1/22/CONS which launched the public consultation, which ended on 9 February 2022, on the regulatory treatment of the FiberCop fibre network covered by the Co-investment Offer.

The decision under consultation provides for the approval of co-investment commitments that are made binding for a period of ten years pursuant to art. 76 of the new European Electronic Communications Code (CCEE). In particular, TIM will be bound by these commitments and will not be subject to any additional regulatory obligation on the secondary fibre network in all municipalities where at least a co-investment agreement has been concluded between an alternative operator and FiberCop with respect to the following services:

- semi-GPON access;
- access to the laying infrastructure and dark fibre on the secondary network;
- access to the vertical fibre termination segment;
- any other possible access service that exists only on the secondary network subject to co-investment.

On 16 May 2022, the Authority notified the draft measure to the European Commission. However, on 7 June 2022 AGCom withdrew the notification following TIM's notification of an indexation mechanism to the price inflation of the co-investment Offer, to take account of the recent, unforeseen and significant increase in inflation. The indexation mechanism was subsequently amended by TIM in July and October 2022 on the basis of indications provided by the Authority.

With Decision No 385/22/CONS published on 7 November 2022 AGCom launched a market test on the staggered mechanism of indexation of prices proposed by TIM to set the annual inflation rate to be applied to the prices of the Co-investment Offer from 2023. The Offer also extends the application of the economic conditions for 2021 to co-investors joining by April 2023.

This inquiry does not involve the renewal in full of the procedure, but it is limited to assessing the compliance of the new prices with the criteria laid down in the Code, based also on the outcomes of the market test after which the notification will be renewed in the European Commission.

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

2022 and 2023 prices for wholesale fixed network access services

With Decision No. 337/22/CONS, subsequently supplemented with Decision No. 388/22/CONS, AGCom submitted to public consultation, which concluded on 5 December, regarding the prices for 2022-2023 for wholesale access services to the fixed network of copper and fibre TIM/FiberCop.

As clarified by the Authority, this measure is necessary in order to ensure, pending the completion of the coordinated analysis of the access markets triggered by Decision No.637/20/CONS, the necessary regulatory predictability for all operators active in the market, both at wholesale and retail level, and avoid the retroactive application of economic conditions, as repeatedly requested by the European Commission.

After the operators' hearings, on 27 March 2023 the Authority notified the European Commission the following 2023 fees of the main wholesale access services compared to the values approved for 2021.

SERVICES	2023 Fees (€)	2021-2022 Fees (€)	Variation (2023 vs 2021)
GPON LLU (not subject to ex ante regulation)	11.46	11.63	-1.5%
LLU	10.03	8.90	+12.8%
SLU	5.99	5.30	+13.1%
FTTC VULA	13.20	12.50	+5.6%
Dark fibre in primary access network – 15 years IRU	1,876,93	2,484.53	-24.5%
Dark fibre in secondary access network – 15 years IRU	1,318,37	1,563.1	-15.7%
FTTH VULA	14.39	15.20 (2021) 14.69 (2022)	-6.3%
Fibre in-house wiring	2.52	2.80	-9.9%
Copper in-house wiring	0.52	0.47	+10.8%%

Source:https://circabc.europa.eu/ui/group/2328c58f-1fed-4402-a6cc-0f0237699dc3/library/b9ebb4db-84dc-45a8-83f7-230babc3989e/details

The proposal reduces the differential between wholesale access prices in fibre and copper by creating, on the one hand, an incentive to invest in new FTTH networks for both the incumbent and new entrants, and on the other hand, an acceleration of customer migration from legacy networks to new fibre networks.

Final decision is expected by mid-May 2023.

Terminating segment of leased lines

The decision 333/20/CONS published on 31 August 2020:

- withdraws ex ante regulation in the competitive area of Milan;
- removes the cost-orientation obligation for leased lines services in the contestable areas (24 municipalities);
- withdraws the access obligation to provide, for new activations, the following services:
  - analogue terminating circuits;
  - digital PDH terminating circuits with a speed less or equal than 2 Mbps;
  - Ethernet over SDH terminating;
  - Ethernet over SDH interconnection links.

Consistently with a previous round of market analysis prices of PDH, SDH circuits are set according to a network cap model valid for the years 2019-2021, while corresponding one-off fees are reduced by 2% per year. On the other hand, monthly fees and one-off fees of terminating Ethernet over optical fibre services will be evaluated yearly on the Reference Offer approval procedure.

With Decision No. 337/22/CONS, AGCom has proposed that in no contestable areas:

- the prices of the terminating circuits and interconnection links, other than Ethernet over optical fibre, are set for the years 2022 and 2023 as equal to the values approved by the Authority for the year 2021; and

- the prices of terminating Ethernet over optical fibre, as well as of the related ancillary services, for the year 2022 are equal to the corresponding values set for 2021, while they are cost-oriented for the year 2023 and will be evaluated yearly on the Reference Offer approval procedure.

Wholesale fixed interconnection markets

On 2 February 2022, AGCom published Decision 13/22/CONS withdrawing the regulation of voice call origination on a fixed network (including the third billing obligation) after a transitional period of 24 months and simplifying the regulation of voice fixed termination, as specified below.

- confirmation of the status of SPM operator for TIM and 25 other operators;

- until 30 June 2021, confirmation of the 2019 termination price (0,041 €/cent min);

- from 1 July 2021, entry into force of the single maximum EU-wide wholesale rate (0,07 €cent/min);

- cost orientation, under a symmetrical regime for the prices of ancillary and additional services to the termination service;

- withdrawal of cost accounting and accounting separation obligations, as well as of half-yearly reporting obligations, for termination services without providing for any transitional period; and

- reduction (from 12 to 6 months) of the notice required from notified operators for the decommissioning of one or more DTM interconnection nodes, as well as removal from the publication of the final decision on the obligation to activate new interconnections with a TDM interface.

Wholesale mobile markets

On 22 January 2019, AGCom published the final decision on the fifth round of mobile termination market analysis (Decision 599/18/CONS). AGCom determined to:

- identify the 12 operators who provide or are about to provide mobile voice call termination services (MNOs, Iliad included, and Full MVNOs) as having SMP;

- confirm the implementation of the cost model specified in Decision 60/11/CONS for the setting of termination rates for the period 2018-2021, also by setting symmetric tariffs per minute for all SMP operators (c€ 0.98 in 2018, c€ 0.90 in 2019, c€ 0.76 in 2020, and c€ 0.67 in 2021 ("c€" means Euro cents)) on the basis of a WACC equal to 8.55%;

- enforce the price control obligation for the provision of interconnection kits to all SMP operators with retroactive effect from 2018;

- withdraw the cost accounting obligation enforced on TIM, Vodafone and Wind-Tre; and

- confirm the absence of a termination price control obligation for calls originating outside the EEA; however, operators cannot apply higher termination rates than those applied to Italian operators by extra-AEE operators whose tariffs are regulated by the relevant authorities.

Pursuant to the European Commission Delegated Regulation (EU) 2021/654, a three-year glide path applies to allow a smooth transition to the target price of 0.2 €cent/min:0.67 €cent/min up to end-2021, 0.55 €cent/min in 2022 and 0.4 €cent/min in 2023.

RETAIL MARKETS

Retail Offers

With Decision 348/19/CONS, AGCom has removed the *ex ante* replicability test for some of TIM's ultra-broadband retail offers.

In particular, all retail offers (including bundles) considered "flagship", with speeds equal to or higher than 100 mbps (which are very relevant in the migration phase from copper to NGA), will be notified to AGCom at the same time as their launch and will be subject to the supervision of AGCom on an ex post basis through the replicability test.

The "renewal of offers", the "modifications of already existing offers which do not imply a change of margins" and the "optional conditional sales associated to an already approved offer" will be notified to AGCom at the same time as their launch; AGCOM will eventually assess their replicability, if considered necessary, *ex officio* or at the request of an operator.

All the rest of the retail offers will continue to be notified in advance, 20 days before their launch (previously 30 days), in order to allow an *ex ante* application of the replicability test by AGCom.

In the fourth quarter of 2022 TIM launched the 10/2 Gigabit/s FTTH retail offer (both consumer and business markets).

28-DAY billing

In June 2019, TIM had in any case decided to offer its fixed network customers, which were active prior to 31 March 2018 and subject to billing every 28 days, the possibility of accepting a compensatory solution, an alternative to refunding the eroded days pursuant to AGCom resolution no. 269/18/CONS.

Subsequently, from September 2019, TIM decided to also accept requests for the refund of the eroded days. In both cases, TIM informed customers with several messages in the bill, on the web in the main newspapers.

Guidelines for online termination and switching costs

On 2 November 2018, AGCom published the Decision 487/18/CONS setting the new guidelines on the charges applicable by operators in the event of customers' withdrawal.

Law no. 40/2007 ("**Bersani Law**") allowed customers to withdraw from the permanent contract at any time, provided that the costs they have to pay for the line termination or switching shall be real and economically justified (e.g. deactivation costs for the fixed line).

The Bersani Law was subsequently amended by the Italian competition law no. 124/2017 and decision 487/18/CONS aims at implementing the new provisions. However, AGCom introduces additional charges for operators. In particular:

- withdrawal in case of line termination or switching: the cost to be paid by the costumer is the lower of the average rental fee (contract value) and the actual deactivation cost;

- promotions: in case of early termination (in respect to the duration of the promotion), operators may only charge a share of the discounts proportionate to the residual duration of the promotion at the moment of the withdrawal; and

- products with instalments offered in conjunction with the electronic communication service: users can decide to pay the remaining instalments instead of reimbursing them with a single payment.

TIM has challenged AGCom's decision before the administrative court regarding the provisions that limit the right to fully recover the costs in case of withdrawal (discounts based on promotions, product installments). The administrative judge rejected TIM's appeal because it considered the act not directly harmful.

In 2021 TIM again challenged the decision because it is the prerequisite for an AGCom sanctioning provision on the subject of withdrawal.

Terminal equipment for internet access

On 2 August 2018 AGCom approved the final decision ("**Decision 348/18/CONS**") on terminal equipment (modem) for internet access.

With this resolution AGCom clarifies that the modem is not part of the network and, therefore, the user's freedom of choice must be guaranteed as established by the TSM Regulation.

From 1 December 2018 the new offers must ensure that the customer can freely choose their terminal.

Decision 348/18/CONS also requires operators to:

- remove any technical limitations of the modem, to allow the customer to use it for similar services provided by other operators;

- not request additional charges if the modem, which was provided free of charge and not used permanently by the user, is not returned to the operator; and

- change the offer of current subscribers who in the past have been obliged to accept the paid provision of a modem, with a free of charge modem supply or, alternatively, give customers the right of withdrawal without any penalty.

TIM is compliant from 1 December 2018 with the free choice of the modem provision, however TIM deems that the aforementioned additional obligations are illegitimate and unjustified; therefore, TIM has appealed the Decision 348/18/CONS before the Lazio administrative court ("**TAR**") (*Tribunale Amministrativo Regionale*). The obligation concerning the change of offer of current subscribers, who in the past have been obliged to accept the paid provision of a modem, has been suspended by the Council of State pending the hearing at the TAR of Lazio set for 23 October 2019.

In January 2020, the administrative judge only partially accepted TIM's appeal. TAR has only considered illegitimate a request for additional charges if the modem, which was provided free of charge and not permanently owned by the user, is not returned to the operator.

TIM will appeal against TAR judgment.

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

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

THE UNIVERSAL SERVICE

The Universal Service ("**US**") is a minimum set of services of a certain quality, which must be made available to all customers, regardless of their geographical location in Italy, and which must be offered at a reasonable price, taking into account specific national conditions. To date, TIM is the only operator obliged by the code of electronic communications (art. 58) to provide the Universal Service under the universal service obligation ("**USO**") throughout Italy. Currently the services included in the USO are the provision of access at a fixed location and of telephone service, the directory inquiry service and the directories, the availability of public payphones, and the provision of specific measures for disabled users.

A fund (the "**Universal Service Fund**"), established by the ministry of communications, is used to finance the net cost for the provision of universal service sustained by the designated operator (TIM) by means of contributions paid by the other operators. All the main companies active in the sector, including TIM, must contribute to this fund.

AGCom is responsible for verifying the net cost of the USO provision and assessing whether this amount represents an unfair burden for the operator. The designated operator can receive compensation only if the burden is determined to be unfair.

AGCom assessed the net cost and authorised the funding mechanism until the year 2005 and did not recognise any contribution for the years 2006 and 2007.

The net cost for the provision of USO for the years 2004-2007 has been calculated on the basis of a methodology established by AGCom in 2008 (decision 01/08/CIR) with retroactive effect, which led to a significant decrease in the amount to be financed.

Following Judgment no. 4616/2015, released on 2 October 2015, by which the Council of State overruled AGCom's decision 1/08/CIR on the application of the new methodological criteria for the calculation of the USO net cost related to the years 2004-2007, AGCom initiated proceedings for the review of the calculation with decision 145/17/CONS for the years 2006-2007 and decision 207/17/CONS for the years 2004-2005. With decision 103/19/CIR notified on 11 September 2019, the authority has recognised the existence of a supplementary net cost USO for all years from 2004 to 2007 inclusive, charged to the other operators, equal to 26.7 million euro. Furthermore, with decision 88/18/CIR, published on 21 June 2018, AGCom has set the net cost for the year 2008 equal to zero and the net cost for the year 2009 equal to 11.61 million euro, which is to be shared by the fixed and mobile operators.

With respect to past litigation, the council of state, with a decision published on 7 July 2015, rejected the appeal filed by TIM against the decision of the TAR on AGCom's decisions of 2010 by which AGCom had reviewed the proceedings for the years 1999-2000 and 2001-2003. As a result, the Council of State annulled AGCom's decision of 2010 establishing a possible second renewal of the proceedings for the calculation of the contributions of the years 1999-2000 and 2001-2003. The authority began the renewal proceedings for the years 1999-2000 and 2001-2003 with decision 102/19/CIR on 11 September 2019.

Following the Council of State decision, Vodafone requested TIM to refund the amounts paid for 1999-2000, 2002-2003 and subsequent periods. With a new decision published in October 2019, the Council of State accepted the appeal of Vodafone, stating the obligation for TIM to return the disputed sums.

In September 2020, AGCom ended the public consultation related to the review of the unfairness of the net cost burden of the universal service 1999–2009. In resolution 263/20/CIR, the authority defined a new approach to demonstrate the unfairness of the net USO cost for the years under examination. On the basis of the new approach, AGCom recognised the unfairness of the charge for the years 2002 –

2009. For the previous years 1999 – 2000, however, the authority did not find the existence of an unfair charge for TIM.

On 29 March 2021, AGCom, with the publication of decision 18/21/CIR, confirmed the obligation of mobile operators to participate in the USO contribution mechanism for the years 2001 – 2009, confirming the opinion expressed by the same authority during the public consultation.

On 17 February 2022, the TAR annulled resolution no 18/21/CIR accepting a single ground of appeal by the OAOs with which the threshold parameter relating to the unfairness of the burden (2^ facie) was contested with regard to the economic and financial impacts on the person in charge. The further grounds of appeal of the OAOs were instead rejected by the TAR.

On 27 June 2022, AGCom published decision no 1/22/CIR suspending the terms established by decision no 92/21/CIR, already extended by decision no 58/22/CONS and by decision no 143/22/CONS, pending the appeal judgment pending before the Council of State. The preliminary hearings of the Council of State have been set for 4 and 27 April 2023.

The authority's decision was challenged by the other operators. Vodafone and Wind requested the suspension of the payment of the shares to the fund set up at MISE until the conclusion of the procedure. The MISE informed the fixed and mobile OAOs to not proceed to the payment of contribution shares of the annuity in question.

As regards the Universal Service Quality targets, the Council of State issued a sentence on 21 April 2022 in which it annulled the sanction imposed on TIM by AGCom Decision No. 28/11/CONS for € 174,000 related to the overshooting of quality targets for the year 2009.

The Council of State accepted TIM's appeal which denounced the illegitimacy of the sanction following the failure to transpose the commitments proposal presented by TIM during the sanctioning procedure.

CONTRIBUTION FEES FOR THE FUNCTIONING OF AGCOM

TIM and the other operators are required to pay contribution fees to fund the running costs of AGCom. These fees are calculated on the basis of each operator's revenues.

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

GOVERNMENT'S UBB NETWORK STATE AID PLANS

In June 2016, the European Commission authorised the Italian government UBB State Aid Plan for a total amount of 4 billion euro aimed at covering almost 25% of the population living in about 7,200 municipalities belonging to the so-called UBB "white areas" (areas in which there is no NGA network available and there is no interest of private operators to deploy it in the near future) of Italy. The 7,200 municipalities are grouped into two clusters, C and D. In cluster C, 70% of connections have to reach at least 100 mbit/s download and 50 mbit/s upload, while the remaining 30% have to reach at least 30 mbit/s download and 15 mbit/s upload. In cluster D, 100% of connections have to reach at least 30 mbit/s download and 15 mbit/s upload.

On 3 June 2016 Infratel published a first call for tender of 1.4 billion euro for deploying and managing under a 20-year concession an UBB "passive" infrastructure (ducts and dark fibre) in the white areas of six regions (Abruzzo, Molise, Emilia Romagna, Lombardia, Toscana and Veneto). On 7 March 2017, the first tender was awarded to Open Fiber.

On 8 August 2016, Infratel called for a second tender for the ultra-broadband "white areas" of 10 additional Italian regions (Piemonte, Valle d'Aosta, Friuli Venezia Giulia, Liguria, Marche, Umbria, Lazio, Campania, Basilicata and Sicilia) and in the Trento Autonomous Province, for a total public financing of approximately 1.25 billion euro. TIM decided to not submit any bid. On 28 July 2017, the second tender was awarded to Open Fiber.

The Italian Strategy for Ultra-Broadband - "Towards the Gigabit Society", approved on 25 May 2021 by the Interministerial Committee for the Digital Transition (CITD), defines the actions necessary to achieve the digital transformation objectives indicated by the European Commission in 2016 and in 2021 – respectively with the Communication on Connectivity for a single European digital market (so-called "Gigabit Society") and the Communication on the digital decade (so-called "Digital compass") with which it presented the vision, objectives and methods for achieving the digital transformation of Europe by 2030.

The NRRP approved by the Government on 29 April 2021 allocates 27% of resources to the digital transition, of which 6.7 billion euros are for strategic projects for ultra-broadband, in continuity with the Strategy launched by the Government in 2015. The Strategy, in addition to having as its objective the completion of the coverage plan for white areas and the measures to support demand already started (so-called vouchers), provides for five further public intervention plans to cover the geographical areas in which the supply of infrastructures and very high-speed digital services by market operators is absent or insufficient, and it is expected to be the same in the next few years.

The NRRP allocates a total of 6.7 billion euros for ultra-broadband projects distributed over the following Plans:

- "Italy at 1 Giga" plan (3.86 billion euros);
- "Italy 5G" plan (2.02 billion euros);
- No 4G/5G areas (1 billion euro);
- 5G corridors (0.6 billion euros);
- 5G ready suburban roads (0.42 billion euros);
- "Connected Health" Plan (0.50 billion euros);
- "Connected School" plan (0.26 billion euros);
- "Smaller islands" plan (0.06 billion euro).

Through these measures, the Government intends to bring forward to 2026 - therefore by a good four years - the 1 Gigabit/s connectivity objectives for all and full 5G coverage of populated areas set by the new European Digital Compass strategy for 2030.

These European digital transformation objectives are developed around four cardinal points: (1) digital skills; (2) digitization of public services; (3) the digital transformation of enterprises; and (4) the creation of secure and sustainable digital infrastructures. As regards the latter, one of the objectives set by the European Commission is to allow all EU households to benefit from Gigabit connectivity by 2030 and that all inhabited areas are covered by 5G networks.

“Italy at 1 Giga” plan (3.86 billion euros)

The “Italy at 1 Giga” plan envisages guaranteeing fixed coverage of 1 Giga in download and at least 200 Mbit/s in upload in the grey and black areas where, until 2026, the plans of private operators cannot guarantee “reliable” connections with at least 100 Mbit/s download.

In this context, in April 2021, Infratel started mapping the UBB 2021-2026 fixed coverage plans by all private operators, including FWA coverage out of a total of 21.3 million grey and black addresses, as resulting from the previous mappings.

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

By identifying a coverage of 300 Mbit/s as an intervention threshold, approximately 6.2 million street addresses without coverage at 300 Mbit/s were identified as the object of public intervention.

Following a public consultation on the methods of intervention, calls for tenders with an incentive model on a regional or multi-regional basis will be used for the disbursement of public funding.

In the same streaming of the “Italy at 1 Giga” Plan, on 13 October 2021 Infratel launched a complementary consultation which ended on 15 November 2021, relating to the updating of the mapping of the UBB fixed coverage of the “White Areas” of the 2016 BUL Plan, which includes a total of 11.8 million civilians:

- the street numbers of the BUL tenders awarded to the public concessionaire Open Fiber; and

- street numbers corresponding to approximately 450,000 real estate units located in remote areas (so-called “scattered houses”), not included in previous public intervention plans.

The purpose of the mapping is to identify the house numbers present in the aforementioned areas that have been excluded from public intervention and will not be reached, in the next five years (30/9/21 - 30/9/26), by private investments suitable for guaranteeing a download connection speed of at least 300 Mbit/s during peak hours.

On the basis of the coverage plans declared by Open Fiber and private operators, 1.6 million street addresses not covered at 300 Mbit/s have been identified by 2026 which will be the subject of public funding for the completion of the “Italy at 1 Giga”.

The “Italy at 1 Giga Plan” was notified to the European Commission on 8 November 2021 and was approved on 27 January 2022.

On 15 January 2022, Infratel published the Italy at 1 Giga call for tenders for the granting of public grants for the financing of investment projects for the construction of new telecommunications infrastructures and related access equipment capable of providing services with at least 1 Gigabit/s in download and 200 Mbit/s in upload, with a deadline of 31 March 2022.

The citizens involved in the tender (about 6.9 million) are divided into 15 lots and the funding foreseen in the tender is equal to 3.68 billion euros. Each competitor will be able to win up to a maximum of eight lots.

The public contribution will cover up to 70% of the expenses incurred, while a share of no less than 30% will be paid by the beneficiary. The results of the tenders were published on 24 May 2022 and are as follows:

- TIM won the tenders relating to: Sardinia (lot 1), Abruzzo, Molise, Marche and Umbria (lot 3), Piedmont, Liguria and Val d'Aosta (lot 4), South Calabria (lot 5), North Calabria Cs (lot 11) and Basilicata (lot 14) for a total of approximately 1.6 billion euros

- OF won the tenders relating to: Puglia (lot 2), Tuscany (lot 6), Lazio (lot 7), Sicily (lot 8), Emilia-Romagna (lot 9) Campania (lot 10), Friuli Venezia Giulia-Veneto (lot 12) and Lombardy (lot 13) for a total of approximately 1.8 billion euros.

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

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

"Italy 5G" plan (2.02 billion euros)

The "Italy 5G" plan provides for 5G coverage with 150 Mbit/s download and at least 50 Mbit/s upload in the following areas:

- European 5G corridors (2,645 km) -> 420 million euros;

- Extra-urban roads ready for 5G (10,000 km) -> 600 million euros;

- No 5G/4G areas -> 1 billion euros.

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

As a result of the consultation, the following were identified as subjects of public intervention:

- 13,200 mobile radio sites, which include approximately 18,600 SRBs (Radio Base Stations) on which to implement fibre backhauling;

- 15% of the national territory to which, however, only 1.6% of the population belongs, but with important land transport routes such as roads and railways, to be covered by 5G.

These results were subject to public consultation until 15 December 2021.

Following the results of the public consultation, on 21 March 2022 Infratel published two tenders to encourage the creation, by 2026, of infrastructures for the development of 5G networks in the country without investments from the market:

1. Fibre Backhauling Tender; and

2. New 5G Sites Tender.

The European Commission approved the aid measure, including both tenders on 25 April 2022.

The deadline for submitting offers expired on 9 May 2022.

1. <u>Fibre Backhauling Tender</u>

The tender provides for investment incentives for the construction of fibre optic links of over 10,000 existing mobile radio sites up to 90% of the cost of the same.

It is divided into six multi-regional lots and offers a total of 949,132,899 euros.

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

On 29 July 2022, the Agreements relating to the individual lots were signed between Infratel and TIM.

2. <u>New 5G Sites Tender</u>

The second tender encourages the construction of new 5G mobile network infrastructures (fibre, infrastructure and electronic components) in more than 2400 areas of the country with transmission speeds of at least 150 Mbit/s downlink and 30 Mbit/s uplink, also to be financed up to 90% of the total cost.

The second tender is also divided into six multi-regional lots, but different from the previous ones, and offers a total of 974,016,970 euros.

The second tender for the construction of new 5G sites was abandoned and was republished with changes on 20 May with a deadline of 10 June 2022.

The new call provides for funding of 567,043,033 euros on fewer sites to be connected than the previous one (-50%).

On 28 June 2022, Infratel announced that all six lots were awarded to Inwit S.p.A. ("**INWIT**") in forming a temporary joint venture with TIM and Vodafone for a total of approximately 346 million euros.

On 29 July 2022, the agreements relating to the individual lots were signed between Infratel and the group of companies led by INWIT.

"Connected Health" plan

The "Connected Health" plan aims to provide connectivity with symmetrical speeds starting from 1 Gigabit/s up to 10 Gigabit/s to approximately 12,280 healthcare facilities throughout the country.

To implement the Plan, on 28 January 2022 Infratel launched a tender for the supply of ultra-broadband connectivity services at the public health service facilities in Italy, including the supply and installation of the access network and management and maintenance services, expiring on 11 April 2022.

The call provides for an allocation of 387 million euros and is divided into eight territorial lots and the same subject can be awarded up to a maximum of four lots.

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

The total amount awarded was 314 million euros.

TIM won two of the eight lots comprising the regions of Lombardy, Emilia-Romagna, Marche and Umbria, being awarded around 78 million euros.

On 20 September 2022, the Agreements relating to the individual lots won were signed between Infratel and TIM.

"Connected School" plan

The "Connected School" Plan aims to complete the 2020-2023 School Plan launched by the Government on 5 May 2020, which provided for the supply of an ultra-broadband connection up to 1

Gigabit/s with 100 Mbit/s guaranteed at 35,000 school buildings (about 78% of the total), i.e. all the buildings of the first and second level secondary schools in the country and, in the "white areas", also the connection of all the primary and kindergarten complexes.

The 2020-2023 School Plan was conducted by Infratel which, between September and December 2020, carried out a public consultation and issued a call for tenders with public funding of 274 million euros divided into seven lots on a geographical basis (with a limit of two lots that can be assigned to the same bidder who can submit bids for all lots).

On 26 February 2021 the award of the individual lots was communicated.

The total amount awarded was 271 million euros.

TIM won two of the eight lots, including the regions of Tuscany, Veneto, Marche, Abruzzo, Molise and Puglia, for around 84 million euros.

The new "Connected School" launched in 2022 aims to complete the public intervention already underway, including the remaining 9,900 buildings which will be provided with 1 Gigabit/s connectivity with relative technical assistance for five years.

To implement the Plan, on 28 January 2022 Infratel launched a new tender, with a total budget of over 184 million euros for the supply of ultra-broadband Internet connectivity services at schools in Italy, including the supply and installation of the access network and management and maintenance services, expiring on 11 April 2022.

The tender is divided into eight territorial lots and the same subject can be awarded up to a maximum of four lots.

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

The overall amount awarded was approximately 166 million euros.

TIM won four of the eight lots comprising the regions of Piedmont, Liguria, Valle d'Aosta, Tuscany, Lazio, Campania, Calabria, Sicily and Sardinia, winning over 99 million euros.

On 20 September 2022, the Agreements relating to the individual lots won were signed between Infratel and TIM.

"Smaller islands" plan (0.06 billion euros)

The "smaller islands" plan aims to provide adequate connectivity to 18 smaller islands currently without fibre optic connections with the mainland. In particular, the islands will be equipped with optical backhaul which will allow the development of ultra-broadband connectivity. The optical backhaul will be accessible to all operators through Submarine Backhaul Access Points identified according to the criterion of the shortest distance from the neutral delivery point (NDP), if present on the island, and from the landing point of the submarine cable.

The overall budget is 60.5 million euros.

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

The tender to identify the economic operators to be entrusted with the design, supply and installation of submarine fibre optic cables for the construction of the "Minor Islands Plan" was launched on 18 November 2021 and ended on 22 December 2021. Since the tender was abandoned, Infratel resubmitted it, with modifications, on 11 February 2022 with a deadline of 18 March 2022, and the tender was assigned to the company Elettra TLC on 28 April 2022 for approximately 45 million euros.

Ultra-broadband Vouchers Plan

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

3. <u>Vouchers for families</u>

Phase 1

A first phase of intervention was launched on 9 November 2020, with an allocation of 200 million euros, in favour of families with an ISEE of less than 20,000 euros, who will receive a contribution of 500 euros (200 euros for connectivity and 300 euros for Tablets or PCs on loan for use), responded to the need to deal with the effects of the health emergency in the first phase of the Covid-19 pandemic and to guarantee suitable connection services to give continuity to the school and work activities of families. The first phase ended on 9 November 2021, one year after its start, as per the implementing decree. This measure proved to offer little incentive: of the entire allocated amount of 200 million euros, more than 93 million euros were not allocated. 210,000 bonuses were assigned against an availability of 400,000.

Phase 2

On 27 April 2022, Infratel therefore launched a public consultation preparatory to the start of a second phase of disbursement of vouchers for families.

The total resources allocated for the intervention amount to 407,470,769 euros.

The objective of the intervention is to promote and stimulate the demand for ultra-broadband connectivity services (NGA and VHCN) in all areas of the country, with the aim of expanding the number of families that use digital services using high-speed networks speed to at least 30 Mbit/s.

The consultation expired on 31 May 2022.

Approval of the measure by the European Commission is pending.

4. <u>Vouchers for businesses</u>

The incentive scheme for businesses, approved by the European Commission on 15 December 2021, was launched on 1 March 2022 and aims to promote ultra-fast internet connectivity for businesses and the digitization of the production system.

Net of the amount attributed to communication and support costs for the measure and the reimbursement of direct and indirect costs associated with carrying out the activity, the amount earmarked for the disbursement of vouchers is around 590 million euros.

Businesses will be able to request a single voucher to guarantee an increase in connection speed, from 30 Mbit/s to over 1 Gigabit/s ranging from a minimum of 300 euros to a maximum of 2,500 euros, depending on the guaranteed download speed and the duration of the contract.

The Voucher Plan for businesses, initially scheduled to expire in December 2022, was extended until 31 December 2023, subject to the exhaustion of the allocated resources, following the decision of the European Commission of 6 December 2022.

Emergency in Ukraine

In light of the Italian Government's declaration of a state of emergency, approved by the Council of Ministers on 28 February 2022, aimed at ensuring, until 31 December 2022, relief and assistance to the Ukrainian population on the national territory, TIM, like the other operators, has voluntarily launched important solidarity initiatives in support, in particular, of customers of Ukrainian origin residing in Italy, to allow them to communicate free of charge or at discounted prices with their family members in Ukraine.

AGCom, similarly to what was done in the past for previous emergencies and, most recently, on the occasion of the Covid-19 pandemic, has set up a technical discussion table with operators in order to share information and discuss further initiatives that can be planned in the medium term in support of the Ukrainian population.

Meanwhile, on 8 April 2022 TIM also signed a joint declaration with other EU and Ukrainian operators to provide affordable or zero roaming services and international calls between the EU and Ukraine. Joint declaration aims to create a more stable framework to help displaced Ukrainians across Europe stay in touch with family and friends.

SPECTRUM

In October 2018, MISE's auction for 5G frequencies was concluded. TIM was awarded the following blocks:

- 2 x 10 MHz FDD in the 700 MHz band;
- 80 MHz TDD in the 3.6- 3.8 GHz band;
- 200 MHz in the 26.5-27.5 GHz band.

The slots in 3.6-3.8 GHz and 26.5-27.5 GHz bands are available from 1 January 2019 whilst the slots in 700 MHz band are available from 1 July 2022 after the freeing of TV broadcasting service. All the frequency rights of use will expire on 31 December 2037 and can be extended for up to an additional eight years.

The total amount of TIM's licence fee is 2,399.38 million euro, which has been paid in several instalments over the years 2018-2022 as reported below.

2018	2019	2020	2021	2022
€ 477,473,285	€ 18,342,111	€ 110,052,665	€ 55,026,332	€ 1,738,485,953

In April 2021 TIM paid about 240 million euro for the renewal for eight years, until the end of 2029, of 2x15MHz FDD spectrum rights of use in the 2100 MHz band, following a favourable opinion issued by AGCom (Decision 338/20/CONS).

In May 2022, TIM paid about 5 million euro for the renewal for six and a half years, until the end of 2029, of 20 MHz spectrum rights of use in the 3.4 -3.6 GHz band, following a favourable opinion issued by AGCom (Decision 66/22/CONS).

In July 2022, TIM paid about 9.68 million euro for the renewal for seven years, until the end of 2029, of 2x112 MHz FDD spectrum rights of use in the 27.5 – 29. GHz band, following a favourable opinion issued by AGCom (Decision 157/22/CONS).

EXTENSION OF GOLDEN POWER TO 5G TECHNOLOGY SERVICES (DECREE-LAW 25 MARCH 2019, NO. 22 (THE DECREE 22))

The Decree 22 classifies the development of 5G as a strategic activity concerning national defence and security, requiring more stringent controls. They are subject to special powers, in particular:

(a) the stipulation of contracts or agreements concerning the purchase of goods or services related to the design, construction, maintenance and management of networks relating to 5G services;

(b) the acquisition of highly technological components necessary for the realisation or management; and

(c) the elements indicating the presence of vulnerability factors that could compromise the integrity and security of the networks and data that pass through them.

In particular, the stipulation of contracts and the acquisition of high-intensity components from parties outside the European Union entail an obligation to notify the presidency of the council of ministers in order to allow the timely exercise of the power of veto.

Failure to comply with the notification requirement entails a pecuniary administrative sanction equal to twice the value of the transaction, and in any case not less than 1 per cent of the turnover achieved in the last financial year. In a subsequent decree of the presidency of the council of ministers the task of identifying simplified notification and certification procedures is finally assigned.

In this regard, on 27 June 2019 the Italian government started a public consultation around the adoption of the decree of the presidency of the council of ministers in order to gather contributions from interested parties regarding the following issues:

(a) identification of the simplified notification methods that may be differentiated (e.g. based on the activity carried out, on the services offered or on the type of infrastructure involved); and

(b) definition of simplified procedures and terms for the investigation in connection with specific circumstances.

TIM submitted its contribution by the deadline (19 July 2019).

In the meanwhile, Italian law decree no. 64 was published on 11 July 2019 introducing further amendments to the provisions of Italian law decree no. 21 of 15 March 2012 converted by Italian law no. 56 of 11 May 2012 with amendments.

Specifically on the subject of 5G, the new decree introduces the obligation to notify the prime minister's office using full disclosure within ten days from the conclusion of a contract or agreement covering the purchase of goods or services relating to the design, building, maintenance and management of the 5G networks or the acquisition of high technological intensity components functional for the aforesaid building or management when executed with subjects outside of the European Union, in order to allow any veto power to be exercised or the imposition of specific instructions or conditions.

The prime minister announces any veto or imposition of specific instructions or conditions within 45 days from the notification. Based on the legislation above, the council of ministers of 5 September 2019 opted for the exercise of special powers in relation to the TIM disclosure concerning commercial agreements, reached before 26 March 2019, regarding equipment and communication systems functional for the development of 5G technology. As expected, decree law no. 64/2019 was not converted into law and so its effects lapsed. Furthermore, the Italian government adopted decree law no. 105 of 21 September 2019, concerning the national cybersecurity perimeter; it introduces amendments to the provisions of decree law no. 21 of 15 March 2012 converted by Italian law no. 56 of 11 May 2012 with amendments.

The new decree no. 105 has been converted into law no. 133 of 18 November 2019.

The decree law no. 23 of 8 April 2020 (adopted with modifications by law no.40 of 5 June 2020) made a main change to the general golden power regulation: also with regard to the communications sector, the obligation to notify the participation in the companies has been extended to any foreign entities, including those belonging to the European Union, in cases where the purchase is of such significance to determine the permanent establishment of the purchaser by reason of the assumption of control of the company whose shareholding is being purchased.

The Government has adopted the decree law n. 21 of 2022, converted into law n. 51 of 2022, which modifies the golden power discipline relating to 5G technology and the cloud.

Furthermore, the decree law n. 187 of 2022 (adopted by Law no. 10 of 1 February 2023) has introduced economic measures to support companies subject to the golden power discipline. In particular, Law no. 10 of 1 February 2023 integrated the competences of AGCOM, introducing the power of identification by the Authority of the technical standards of fibre-optic cables, which the winners of the tenders must comply with.

ANTITRUST ISSUES

- ***Antitrust in Italy***

  - ***Legislation on competition***

TIM is subject to Italian competition law, and namely the law of 10 October 1990 no. 287 ("Provisions aiming at protecting competition and the market") which set up the AGCM ("**Antitrust Authority**").

The Antitrust Authority is responsible for:

(i) applying law 287/1990 and supervising: (a) restrictive agreements; (b) abuses of a dominant position; and (c) concentrations of enterprises;

(ii) applying, whenever the necessary conditions are met, the relevant EU provisions (i.e., articles 101 and 102 of the TFEU);

(iii) applying legislative decree 6 September 2005 no. 206 concerning unfair commercial practices; and

(iv) monitoring conflicts of interest in the case of individuals holding government positions.

In addition, the Antitrust Authority may:

(i) adopt interim measures; and

(ii) enforce commitments binding upon the proposing parties in order to prevent identified anticompetitive concerns closing the investigation without any finding of a violation.

- ***Pending proceedings before the Competition Authority on restrictive agreements, abuses of a dominant position and unfair commercial practices***

Regarding the pending proceedings, see the TIM Group Interim Financial Results at 30 September 2022 *TIM Group – Disputes and pending legal actions* on pages 38-49 incorporated by reference in this Information Memorandum.

- ***Antitrust issues at the European level***

  - ***Legislation on competition***

TIM is subject to the European competition law. European competition policy covers anticompetitive agreements (art. 101 TFEU), abuse of dominance (Art. 102 of TFEU), mergers (provided that the annual turnover of the combined businesses exceeds specified thresholds, according to council regulation (EC) no 139/2004) and state aid (art. 107 of TFEU).

The EC is empowered by the TFEU to apply these rules and holds a number of investigative powers to that end (e.g. inspection at business and non-business premises, written requests for information, etc.). It may also impose fines on undertakings which infringe the EU antitrust rules. The main rules on procedures on the implementation of the competition rules set forth in Art. 101 and 102 of the TFEU are set out in Council Regulation (EC) 1/2003.

Since 1 May 2004 all National Competition Authorities have also been empowered to fully apply EU antitrust rules (i.e. Art. 101 and 102 of the TFEU) in order to ensure that competition is not distorted or restricted. National courts may also apply these provisions in order to protect the individual rights conferred on citizens by the Treaty. State aid rules, on the contrary, can only be applied by the EC.

As part of the overall enforcement of EU competition law, the EC has also developed and implemented a policy on the application of EU competition law to actions for damages before national courts. It also cooperates with national courts in order to ensure the coherent application of the EU competition rules within the Member States.

TELECOMMUNICATION REGULATORY FRAMEWORK IN BRAZIL

TIM Group's operations in Brazil are subject to the 1997 General Law on Telecommunications (*Lei Geral de Telecomunicações* — "**LGT**"), to a comprehensive regulatory framework for the provision of telecommunications services adopted by ANATEL, and also to a public policy established by *Ministério das Comunicações* ("**MCom**").

In June 2020, through provisional measure no 980/2020, Brazilian president, at the time, Jair Bolsonaro decided to rearrange the ministeries and recreate the MCom that shall be responsible for the national telecommunications policy. From 2016 to the first half of June 2020, Brazilian telecommunications were subordinated to a specific structure part of the ministry of science, technology, innovations and communications (*Ministério da Ciência, Tecnologia, Inovações e das Comunicações*), that still exists without this administrative competence. After the 2022 Brazil presidential election, the elected president Lula also maintained this division.

ANATEL is responsible for the regulation and implementation of national policies in the matter of telecommunications. It is a quasi-independent body (due to the relationship with MCom) enjoying financial and operational autonomy and a wide range of functions and powers to ensure retail customers´ rights, quality of service, wholesale rules and competition to avoid concentration of services. The board of directors has five members with a fixed term, who are selected and appointed by the president, and submitted for approval by the senate.

ANATEL has the power to impose restrictions, limitations or conditions on concessions, permits or authorisations. ANATEL has the authority to propose and issue legally binding regulations on telecommunications service providers. The rules issued by ANATEL are subject to periodic updates. Any proposed regulation by ANATEL is subject to a period of public consultation, which may include public hearings, and can be challenged in Brazilian courts.

ANATEL privatised the former public monopolistic operators and progressively opened the market to competition, in addition to promoting universal access to basic telecommunications fixed services (voice only).

Regarding the operational activity of TIM Brasil, ANATEL developed regulations for mobile communication services (*Serviço Móvel Pessoal* or "**SMP**"), fixed communications services (*Serviço Telefonico Fixo Comutado* or "**STFC**") and data transmission and multimedia services (*Serviço de Comunicação Multimídia* or "**SCM**"), among others.

In 2010 virtual mobile operators were allowed to enter the market upon commercial agreements with the established operators. Over the years, Anatel has published several resolutions that impose obligations on the telecommunications sector, among which the following can be highlighted: (i) PGMC 2012, whose goal is to encourage competition by creating interconnection obligations and the sharing of infrastructure already installed by other operators. PGMC 2012 was amended by Resolution No. 694/2018, the New PGMC, and is now under revision by Anatel; (ii) Resolution No. 632/2014, which approved the adoption of a single regulation for the telecommunications sector (*Regulamento Geral de Direitos do Consumidor de Serviços de Telecomunicações*), currently under revision by Anatel; (iii) Resolution No. 671/2016, which approved the regulation on the use and sharing of the radio frequency spectrum , which are currently under revision; (iv) Resolution No. 693/2018 approved the new general interconnection regulation and revoked the "Interconnection" framework set forth by Anatel in 2005; (v) Resolution No. 695/2018, which approved the new public price methodology for the right to use radio frequencies (or PPDUR) setting forth a two-part price calculation basis, one for renovation of radio frequencies and the other for license acquisition.

In 2019, ANATEL published relevant regulations pertaining to spectrum, such as: (i) Resolution No 710/2019 which attributes the use of 2.3 GHz frequencies and approves the usage conditions of this frequency; and (ii) Resolution No 711/2019 which regulates the use of 3.5 GHz frequencies, setting the first milestone for 5G deployment.

Also in December 2019, Anatel approved the new Telecommunication Services Quality Regulation (RQUAL), based on a responsive regulation. In this new model, quality is measured on the basis of three main indicators – a Service Quality Index, a Perceived Quality Index and a User Complaints Index – and operators are classified into five categories (A to E). Based on this regulation, Anatel will be able to take measures according to specific cases, such as consumer compensation, the adoption of an action plan or the adoption of precautionary measures to ensure quality standard improvements.

After a joint work by Anatel, operators and the Quality Assurance Support Authority (ESAQ) to define the objectives, criteria and reference values of indicators, recently, at the end of November 2021, Anatel's board of directors formalized the reference documents that apply this regulation: the Operational Manual and the Reference Values (entered into operational effectiveness in 1 March 2022). It also resolved disclosure of official indexes, and the Quality Seal (inducing competition for quality) at the beginning of 2023, considering the results of the new monitored indicators in the second semester of 2022.

In 2020, ANATEL published some important regulations such as: (i) Resolution No. 718/2020 which amends the "Regulation on Restricted Radiation Radiocommunication Equipment" to include femtocells as restricted radiation radio-communication equipment; (ii) Resolution No. 719/2020 which approves the new General Licensing Regulation; (iii) Resolution No. 720/2020 which approves the General Authorisations Regulation; (iv) Resolution No. 725/2020 which approves the universalisation obligations according to the PGMU approved by Decree No. 9,619/2018; (v) Resolution No. 735/2020 which reduces regulatory barriers to IoT and M2M services; (vi) Resolution No. 736/2020 which approves the Regulation on Conditions of Use of the 1.5 GHz band; and (vii) Resolution No. 740/2020 which approves the Cybersecurity Regulation applied to the telecommunications sector.

In 2021, ANATEL published important regulations such as: (i) Resolution No. 741/2021 which approves the Regulation of Adaptation from STFC Concessions to Authorizations of the same service; (ii) Resolution No. 742/2021 which amends Resolution No. 711/2019 and the Regulation on Conditions of Use of the 3.5 GHz Band attached to it, as well as approving the Regulation on the Conditions of Use of the 24.25 GHz to 27.90 GHz band; (iii) Resolution No. 743/2021 which changes the General Plan of Authorizations for the SMP; (iv) Resolution No. 744/2021 which approves the "Regulation for the Continuity of the Provision of Switched Fixed Telephone Service Intended for Use by the General Public in the Public Regime" ("**STFC**"); and (v) Resolution No. 746/2021 which approves the "Regulation on Regulatory Inspection; (vi) Resolution No. 747/2021 which approves the "Regulation on TV White Spaces" and (vii) Resolution No. 748/2021 which approves the "General Regulation for Satellites".

In 2022, ANATEL published, amongst others, the Resolution No. 749/2022, which approved the Telecommunications Services Numbering Regulation, the Resolution No. 757/2022, which approves a new regulation setting forth the conditions for the use of radio frequencies. ANATEL also started the process of regulatory simplification, with the publication of Resolution No. 752 and related public consultations.

On 19 June 2020, the board of directors of TIM Brasil approved the execution of a Conduct Adjustment Term ("**TAC**") between ANATEL and TSA, after final deliberation by ANATEL in the eighth directing council's extraordinary meeting. The agreement covers sanctions in respect of a value of approximately R$ 639 million, which will be closed due to commitments related to the quality and customer experience improvements, evolution of the digital attendance channels, reduction of complaint rates, and increased network infrastructure in more than 2,000 locations. This TAC was signed by TSA and ANATEL on 25 June 2020 and will be in force between July 2020 and June 2024.

In June 2022, TIM completed the second-year of the Conduct Adjustment Term n. 001/2020 (TAC) entered into with Anatel, having carried out the activities started for the strict fulfilment of the targets. In the second semester of 2022, the Objective Commitments, Internal Controls, Legal Impediment and Additional Commitments received the certificates from the Agency related to the second-year target. With the closing of the first TAC Year, the following commitments are certified by the Agency: Repair Plan/FDD/Notifications; Numbering Resources; Interconnection improvements; Complaints Index; IGQ; Legal Impediment; Internal controls; LTE 700MHz; 4G New; Backhaul; Backlog Licensing; Coverage Commitments; Presencial Service; Digital Service; and Additional Commitments. TIM will continue to fully implement the internal monitoring buttons through the quarterly report on the evolution of the schedules by the Governance Office at the Meeting of the Board of Directors and the Board of Directors. So far, TIM has been complying with the TAC implementation schedule without the need for any additional obligation.

As a result of the acquisition of Oi Móvel, Anatel, in the scope of the prior consent, imposed the following conditions through the Acórdão n.º 9/2022: (i) elimination, within 18 months, of overlapping authorizations; (ii) observance and maintenance of the universalization targets (Oi, TIM and Telefônica); (iii) submission of the pending guarantees to the coverage commitments (SPEs); (iv) presentation of the communication plan to consumers for the migration of the Oi customer base; (v) maintenance and continuity of mobile services provided at the Comandante Ferraz Antarctic Station – EACF; (vi) submission of (a) a reference offer in the Relevant Market of National Roaming, adapting its content destined to Small Service Providers (PPPs); (b) a reference offer for exploring the mobile service through virtual networks; (c) voluntary commitment to effectively use the spectrum authorized to Oi, which will remain in effect until the publication of the PGMC revision and within a period of 18 months.

CADE, on the other hand, in the scope of the ACC, imposed (i) the definition of an independent monitoring trustee; (ii) the disinvestment of Base Stations (ERBs), that's no longer valid, considering the terms of the ACC; (iii) the public submission of (a) a Reference Offer in the Relevant Market of National Roaming, adapting its content destined to Small Service Providers (PPPs); (b) a reference offer for exploring the mobile service through virtual networks; (iv) the provision of radiofrequencies; (v) the submission of (a) an industrial network exploration offer; (b) a radiofrequencies offer; and (c) a 900 MHz offer.

The radiofrequency provision plan presented to regulatory agencies indicates the proposal for effective use of the radiofrequency bands acquired from Oi within a period of 24 (twenty-four) months from the closing with ANATEL and within a period of 30 (thirty) months for CADE.

- ***5G Auction***

In February 2020, the ministry of science, technology, innovations and communications published ordinance No 418 with guidelines for the 5G auction, concerning radiofrequency bands of 700 MHz, 2.3 GHz, 3.5 GHz and 26 GHz, requiring ANATEL to define technical criteria for mobile operation on 3.5 GHz in order to avoid harm from a TVRO signal offered by satellite dishes in Band C. It also established that the auction should consider coverage commitments to (i) mobile service on 4G technology or higher to cities, small villages and isolated urban and rural areas with more than 600 habitants; (ii) mobile broadband on federal highways; and (iii) fibre to the city (**FTTC**) on municipalities without this backhaul.

Also in February 2020, ANATEL issued the public consultation No 9 in order to discuss the draft of the Public Notice for the 5G Auction. ANATEL proposes bidding for the 700 MHz, 2.3 GHz, 3.5 GHz and 26 GHz bands and includes another 100 MHz in the 3.5 GHz band. It also foresees investment commitments that will enable more infrastructure and a higher level of services to users, such as is outlined in the structural plan for telecommunications networks ("**PERT**").

Regarding the possible interference caused by 5G in the reception of open satellite TV, the approved proposal addresses the solution through a model similar to that adopted for the 700 MHz band, with the creation of a group coordinated by ANATEL and an independent third party to operationalise the solution.

In February 2021, ANATEL's board of directors approved the public notice for the 5G Auction. After that, there was an evaluation by the Brazilian federal court of auditors ("**TCU**"), that was completed on 25 August 2021. The auction was to Anatel for analysis, which approved the Notice on 24 September 2021. The auction was expected to be held in the second half of 2021, and occurred in November 2021. TIM acquired 11 lots, with a total value offered of R$ 1.05 billion, in three frequency bands 3.5 GHz, 2.3 GHz and 26 GHz. The acquired bands have a set of obligations that must be met with financial contributions or the construction of mobile and fixed network infrastructure. As a result, TIM guarantees the necessary spectrum capacity to follow its growth journey in the mobile telephony market nationwide, being prepared for its customers' demands and to explore new applications and develop innovative solutions that demand high-speed connectivity and capacity.

Main commitments associated with each band:

- 2.3 GHz: 4G coverage in some municipalities and localities (South and Southeast Regions);

- 3.5 GHz: 5G coverage in all municipalities with a population equal to or greater than 30,000 inhabitants + fibre backhaul obligations in 138 municipalities + additional contributions to a new entity (EAF) to carry out the following projects: clean-up 3.5 GHz, deployment of fibre-optic in the Amazon and building a private network for exclusive federal government use;

- 26 GHz: contributions to a new entity (EACE) to carry out connectivity school projects.

- ***Authorisations***

ANATEL carried out the privatisation of the former public monopoly operator and gradually opened the sector to competition, in addition to fostering universal access to basic telecom fixed services ("**STFC**"). According to the general telecommunications law and to the regulations issued by ANATEL, licenses to provide telecommunications services are granted either under the public regime, by means of a concession or a permission, or under the private regime, by means of an authorisation. Only certain fixed-line service providers are currently operating under the public regime (Telefónica, Embratel, CTBC, Sercomtel and Oi, commonly referred to as "**Concessionaires**"). All the other telecommunications services providers in Brazil are currently operating under the private regime, including all the mobile and data service providers.

Since the launch of GSM mobile services in 2002, four main players operated in the mobile market (Claro, Vivo, Oi and TIM) and compete nationwide. Third generation mobile services were introduced in 2008 while fourth generation mobile services started in 2012.

The authorisations for fixed and mobile services give the TIM Group (which operates under the brand name TIM Brasil) coverage of the entire country of Brazil, allowing it to provide fixed, mobile and long distance voice, and also data services.

The rules require that all telecommunications services' operators allow network access to any interested party to provide value-added services, without discrimination, unless technically impossible. The voice service providers can also provide value-added service through their own networks.

- ***Interconnection rules***

Telecommunication operators were supposed to publish a public interconnection offer highlighting both economic and technical conditions and were subject to the "General Interconnection Regulatory Framework" enforced by ANATEL in 2005. In May 2012, ANATEL approved a new regulation which, from January 2014, requires the application of the "Bill and Keep" system for local fixed termination rates, *i.e.*, operators will take rights of tariffs generated on their networks, and no interconnection remuneration will be owed for local calls between two different networks.

Until 2016, the interconnection charges for fixed network (*Tarifa de Uso da Rede Local*) ("**TU-RL**") amount to a percentage of retail prices for the incumbent operators. Alternative operators with no significant market power (including TIM) can apply asymmetrical interconnection rates exceeding by up to 20% the one applied by the incumbents. As from 2016, the fixed interconnection rates have been following a cost-oriented approach.

In July 2018, ANATEL approved the new General Interconnection Regulation which revoked the "General Interconnection Regulatory Framework" enforced by ANATEL in 2005.

The values of the mobile termination rate (called “Value to Use the Mobile network” or “**VU-M**”) are freely negotiated by operators. ANATEL has, however, arbitration power in case of disagreement and it can determine a reference value according to criterion set up by regulation. From January 2013, the reference values set by ANATEL comply with a “glide path”, which led to cost orientated values starting from 2016 to SMP operators. On 24 February 2017, considering the glide path provided in Act No. 6,211/2014, VU-M were again reduced, depending on the *Plano Geral de Autorizações do Serviço Móvel Pessoal* (“**PGA-SMP**”) Region, to approximately 0.03 (three cents) Reais and, on 24 February 2018, it was reduced to 0.01 (one cent) Reais.

In December 2018, ANATEL published corresponding Acts No. 9,918/2018 and No. 9,919/2018, which determined the specific reference rates effective as of February 2020. Before coming into force, ANATEL started revision of these acts and, on 24 February 2020, published new Acts No. 986/2020 and No. 987/2020 with new rates. VU-M reference values from 2024 are being also revised.

- ***General Competition Plan***

In November 2012, ANATEL published the general plan for competition targets (the “**PGMC**”), introducing tools for market analysis and identification of operators with market power and imposition of ex-ante obligations.

The decision opens the networks of the operators with significant market power to unbundling and wholesale broadband access. It also improves transparency measures through the creation of a supervisory board to ensure the respect of the wholesale service quality levels.

In each market, ANATEL imposed a set of asymmetrical obligations to operators having significant market power.

In the fixed access market, an access obligation on copper networks (e.g., leased lines, bitstream and full unbundling) for the vertically integrated, fixed operators with significant market power (Oi, Telefónica and Telmex) was introduced.

In July 2018, ANATEL published the new PGMC reviewing some of its points and set up new markets: (i) mobile network; (ii) high capacity data transport; and (iii) national roaming. TIM Brasil has been identified as having significant market power in the wholesale markets of mobile termination, national roaming, and high capacity data transport (in five municipalities).

Due to such classification, TIM Brasil is subject to increased regulation under the PGMC, which could have an adverse effect on its business, financial condition, results of operations and compliance with regulations. The measures applied to a significant market power operator in those markets include:

- a glide path on mobile termination rates based on a price cap system and maintenance of partial Bill & Keep until the next revision of PGMC;
- an obligation to offer the service of national roaming to operators not having significant market power based on a price cap system; and
- an obligation to offer high capacity data transport based on a price cap system.

The PGMC is currently under review by Anatel and a new regulation is expected to come into force in the first half of 2023.

° **Cost models’ implementation**

In 2005, ANATEL issued a ruling for "Accounting Separation and Cost Accounting". This ruling introduced the obligation to present the accounting separation and allocation document ("*Documento de Separação e Alocação de Contas*") ("**DSAC**") for license holders and groups holding SMP in the fixed and/or mobile network interconnection and wholesale leased lines markets ("*Exploração Industrial De Linha Dedicada*") ("**EILD**"). Operators, including TIM, have been providing ANATEL with the requested information since 2006 for fixed services and since 2008 for mobile services. In July 2014, ANATEL published the final decision regarding the costing models to set the wholesale reference values for the fixed and mobile access and interconnection services, as well as the reference values for the leased lines (Industrial Exploitation of the Dedicated Line) ("**EILD**").

As from 2016, fixed termination rates ("**FTRs**" or "**TU-RL**") and mobile termination rates ("**MTRs**" or "**VU-M**") are cost oriented to achieve the efficient cost level based on BU-LRIC model in 2019 and for EILD in 2020.

As from new PGMC, all products (not only call termination rates and Leased Lines) are oriented by costs.

Anatel published Public Consultation No 55/2021) on formulation of a new bottom-up cost model to meet recent and future regulatory needs (new technologies like 5G and optic fibre networks).

° **Mobile interconnection rate glide path**

In November 2012, TIM Brasil, along with other national mobile operators Vivo, Claro and Oi, were identified by ANATEL as having Significant Market Power in the wholesale mobile termination market.

The remedies applied to significant market power mobile operators included a glide path on MTRs, based on a price cap system.

In July 2014, ANATEL published a final decision regarding the cost model and the reference values of the mobile termination rates that will apply from 2016 for SMP operators. For 2016, MTRs were set with a Top Down methodology, until convergence to the BU-LRIC model is reached in 2019.

In addition to the MTR reduction, ANATEL established a bill and keep ("**B&K**") ratio between significant market power and non-significant market power PCSs. From January 2013 until February 2015, the B&K was 80%/20%. On 12 February, 2015, ANATEL approved, by means of Resolution No. 649/2015, the following new B&K percentages, amending the percentages established by Resolution 600: 75%/25% from 2015 until 2016; 65%/35% from 2016 until 2017; 55%/45% from 2017 until 2018; and 50%/50% from 2018 until 2019. As from the new PGMC, the partial B&K threshold to 50% (i.e., a non-SMP operator pays only if the terminated traffic on the SMP operator network is more than 50% of the total traffic exchanged), will be applied until the next revision of PGMC scheduled to start in 2022. In addition, ANATEL determined the end of the existing additional 20% on the value of MTR, paid by SMP operators to non-SMP operators.

° **Lower fixed to mobile call prices for incumbent operators**

Under the Brazilian regulation, MTRs reductions must translate into reductions in retail fixed to mobile call prices. Accordingly, ANATEL established new fixed to mobile retail call rates for fixed telephony concessionaries, reflecting the lower mobile termination rates applicable starting on 25 February 2016.

° **Allocation of the 700 MHz band**

The auction for the allocation of the 700MHz band (698-806 MHz), the provision of the fourth generation mobile services and high speed internet was held in September 2014.

TIM Brasil, Claro and Vivo were granted three of the four auctioned national blocks of 10 + 10 MHz. TIM Brasil offered 1,947 million Reais. The auction also ordered the winning bidders to constitute an entity responsible for the spectrum clean-up process. A total amount of 3.6 billion Reais is designated for the completion of the process and TIM shall pay 1,199 million Reais.

The frequencies will be available in all Brazilian cities that could face interference in simultaneous TV and long-term evolution ("**LTE**") operations within nine months of the complete "switch-off" of analogue television channels.

The initial forecast contemplated 5,570 cities with a switch-off in 2018; however, ministry ordinance No. 3,493/2016 established that:

- approximately 1,500 cities can have an immediate LTE activation since the frequencies are already free;

- approximately 2,700 cities only need analogue channel relocation (switch-off not necessary now); and

- approximately 1,400 cities would have a switch-off by 2018.

Bid winners were required to cover the costs for the implementation of the measures to overcome any spectrum interference and the expenses resulting from the reallocation of digital TV channels.

In December 2014, TIM acquired the 718-728 MHz and 773-783 MHz sub-bands with national coverage; these authorisations are valid until 2029. These sub-bands were only partially available for mobile operation because they remain in use by broadcasters and ANATEL's approval required for their usage is still pending. The mobile operations on those sub-bands could only begin after the reallocation of broadcasting channels and the following approval by ANATEL and interference mitigation.

From 2016 to 2019 the analog TV switch-off occurred in regions where it was necessary to clean up the 700 MHz spectrum for LTE use. By September 2019, all municipalities were able to receive 4G coverage on the 700 MHz band from TIM. Throughout 2020 and 2021, the entity created to ensure the spectrum cleanup, called the "Entity for Administration of TV and RTV Channel Relocation and Digitalization Process" ("**EAD**"), fulfilled the remaining auction obligations, concluding the relocations of broadcasters and the provision of interference solutions in order to complete the switch-off process and to make the spectrum fully available to mobile operators.

Spectrum auction in the 1,800 MHz, 1,900 MHz, and 2,500 MHz bands

On 19 April 2016, ANATEL's auction Committee assigned the multi-band local spectrum (135 MHz in the 1,800 MHz, 1,900 MHz, and 2,500 MHz bands, including 60 MHz of unpaired Time Division Duplex spectrum) auctioned in December 2015 for mobile and fixed-wireless broadband services.

TIM was awarded Frequency Division Duplex ("**FDD**") spectrum in the 2,500 MHz band enabling the provision of 4G/LTE services in the metropolitan areas of Recife and Curitiba. Authorisation terms were signed in July 2016 for 15 years, and can be renewed for an additional 15-year term.

TIM and other mobile operators (Vivo, Claro and Oi) have been eligible to bid for spectrum in the 1,800 MHz band since the publication of resolution No 703/2018, which set up a new cap for spectrum usage limits.

° **"Marco Civil de Internet" and Brazilian Data Protection Law**

Law no 12.965/2014 ("**Marco Civil Internet**"), which went into effect in June 2014, constitutes a kind of "Constitution" on the use of the Internet in Brazil.

Key topics covered in the new regulations include net neutrality, collection, use and storage of personal data, confidentiality of communications, freedom of expression and the treatment of illegal, immoral or offensive contents.

The Marco Civil has been elaborated upon by the issuance of a government decree of implementation and enforcement (Decree no 8.771/2016). The ministry's decree (issued on 11 May 2016) addresses three main aspects:

- clarification of the scope and implementation of the net neutrality rules;
- implementation of the rights and obligations for the protection of personal data; and
- governance of the Marco Civil, including authorities in charge of its enforcement.

The decree went into effect on 10 June 2016.

On 14 August 2018, the Brazilian President promulgated the General Data Protection Law (Law No. 13709/2018). The new law is closer to the GDPR, including significant extraterritorial application and expressive fines of up to 2% of the Issuer's gross revenue per infraction, considering the previous financial year.

In December 2018, provisional measure No. 869/2018 amended Law No. 13,709 to suit its application into specific situations and to create the National Data Protection Authority ("**ANPD**"), within the structure of the presidency of the republic, which implied a greater degree of control by the State. The provisional measure also extended for 24 months the term of the law, that due to legislative issues, came into force on 18 September 2020 by which date all legal entities should be required to adapt their data processing activities to the new rules.

In July 2019, provisional measure No. 869/2018 was converted into Law No. 13,853, keeping the ANPD as a federal public administration body linked to the presidency of republic, part of the executive branch.

In June 2020, the bill of Law No. 1,179/2020 was converted into Law No. 14,010/2020 that postponed the effective date of the provisions of the General Data Protection Law relating to fines and penalties, to August 2021. As mentioned, the other provisions of the law took effect as from September 2020. Additionally, the Decree No. 10,474/2020 was published in August 2020, approving the Regimental Structure and the Demonstrative Chart of Commission Positions and Functions of Trust of the ANPD which is responsible, among other things, for developing guidelines for the national policy for privacy and data protection; supervising companies and applying sanctions; and issuing regulations and procedures on personal data protection.

In June 2022, provisional measure No. 1,124 amended Law No. 14,460 to transform the ANPD into a special nature federal autarchy, an entity of the indirect federal public administration. This status grants full administrative and budgetary autonomy to the authority, which previously had only technical and decision-making autonomy.

In October 2022, provisional measure No. 1,124 was converted into Law No. 14,460, keeping the ANPD as a special nature federal autarchy, part of the indirect federal public administration, still part of the executive branch.

- **Review of the current regulatory model for the provision of telecom services**

In 2019, PLC 79/2016 was approved and converted into Law No. 13,879. The Law entered into force on 4 October, establishing a new regulatory framework for the telecommunications sector in Brazil, the biggest regulatory change in 20 years.

The new telecommunications framework allows the fixed telephone concessionaires to adapt their agreements from a concession regime to an authorization regime. This change of concession to authorization must be requested by the concessionaire and should be approved by Anatel. In return, concessionaires must, among other conditions, make investment commitments to expand fixed broadband services, in areas without adequate competition for these services, in order to minimize gaps and inequalities among Brazilian areas. Additionally, it also changes the rules on authorization of radiofrequency uses, establishing subsequent renewals and allows Radiofrequency trading among players (spectrum secondary market).

In June 2020, the Federal Government published Decree No. 10,402/2020 which regulates Law No 13,879/2019 and provides for the adaptation of the concession instrument to authorization of telecommunications services and on the extension and transfer of radiofrequency authorization, grants of telecommunications services and satellite exploration rights.

Decree No. 10,402/2020 establishes that the partial or full transfer of the authorization to use radio frequencies between telecommunications service providers will be carried out against payment by Anatel and must be preceded by Anatel's consent, in addition to enabling the maintenance of obligations associated with radiofrequencies (serving the public interest), the application of restrictions of a competitive nature when necessary/convenient and the analysis of tax regularity of the company to which the authorization is being transferred. It also confirmed that the current authorizations are covered by the new rule for successive renewals.

Additionally, decree No 9,612/2018 (the "**Connectivity Plan Decree**") entered into force in 2018 which updates and consolidates, in a single instrument, the public policies for the telecommunications in Brazil. The Connectivity Plan Decree establishes a series of guidelines for execution of terms of conduct adjustment, onerous granting of spectrum authorisation and regulatory acts in general which includes: (i) expansion of high-capacity telecommunications transport networks; (ii) increased coverage of mobile broadband access networks; and (iii) broadening the coverage of the fixed broadband access network in areas with no internet access offer through this type of infrastructure. It also establishes that the network implemented from the commitments will be subject to sharing from its entry into operation, except when there is appropriate competition in the respective relevant market.

The Connectivity Plan Decree repealed Decree No. 4,733/2003, which provided for public telecommunications policies, Decree No. 7,175/2010, which established the National Broadband Plan (**PNBL**), and decree No. 8.776/2016, which created the Brazil intelligent program, a new stage of expansion of the PNBL with actions to universalise access to the Internet and increase the average speed of fixed broadband in the country.

In 2019, the decree No. 9,854/2019, the National Plan for Internet of Things ("**IoT**") was published in order to regulate and encourage this environment in Brazil. It refers to IoT as "the infrastructure that integrates the provision of value-added services with physical or virtual connection capabilities of things with devices based on existing information and communication technologies and their evolution, with interoperability". The Decree states that the following subjects are required to further support the National Plan for Internet of Things: "(i) science, technology and innovation; (ii) international insertion; (iii) vocational education and training; (iv) connectivity and interoperability infrastructure; (v) regulation, security and privacy; and (vi) economic viability".

In order to develop an IoT environment in the country, law 14,108/2020 was sanctioned exempting FISTEL for five years (an administrative tax collected by ANATEL) from the base stations and equipment that integrate the machine to machine ("**M2M**") ecosystems and, also, extinguishes the prior licensing. The definition and regulation of M2M communication systems shall be established by ANATEL.

In order to use the Universal Telecom Services Fund ("**FUST**"), (i.e. the contribution that the telecom sector makes annually), in December 2020, Law No. 14,109 (later modified by Law No. 14,173/2021) was sanctioned with the purpose of stimulating the use of FUST to expand and improve the quality of telecommunications services, reducing regional inequalities and encouraging the use of new technologies to promote economic and social development. In the case of using Fust's resources, the mentioned law envisages connecting all public schools by 2024 with broadband internet access. It also provided for a 50% reduction in the payment of the mandatory annual contribution of telecommunications operators to the Fund when they execute programs, projects, plans, activities, initiatives, and actions approved by the Fund's Management Council through the use of own resources. So, this benefit loses currency in December 2026, but it can be renewed.
In the first quarter of 2022, the Federal Government signed Decree No. 11,004/2022, which regulates the use of Fust and establishes guidelines for the use of resources by the Management Board, instituted in 2022. The forecast is for approval of projects to be financed with FUST resources in early 2023.

In 2021 some important ordinances were published, namely: (i) Ministry of Communications Decree No. 2,447/2021 that approved TIM's issuance of up to R$5.753 billion in debentures, (ii) Ministry of Communications Decree No. 2,556 that sets priorities and goals for the establishment of investments determined by Anatel, (iii) Decree No. 10,748 that establishes the Federal Network for the Management of Cyber Incidents, regulating the National Information Security Policy, which aims to improve and coordinate the bodies and entities of the federal public administration in the prevention, treatment and response to cyber incidents, (iv) Decree No. 10,887 which provides for the organization of the National Consumer Defense System, with the objective of guaranteeing greater protection for consumer relations, increasing legal certainty, and making the administrative process more efficient, and (v) Data Protection Authority Decree No. 15 that creates the Governance Committee, responsible for establishing institutional strategies and strategic guidelines related to public governance.

Also, there were some relevant regulations involving 5G. These were: (i) Decree No. 10,799 which updates Decree No. 9,612/2018 (telecom public policies), allowing the Government's network to be built by other entities, not only Telebras; (ii) Decree No. 10,800 establishing Amazon Integrated and Sustainable Program (PAIS). One of its objectives is to expand telecom networks to the Amazon region, in addition to creating a management committee to monitor them, among other provisions; and (iii) Ministry of Communications Decree No. 1,924/21 about 5G guidelines regarding, *inter alia*, network security, obligation to provide an exclusive government network, backhaul for agribusiness coverage of federal highways aligned with the Ministry of Infrastructure.

In 2022, the following ordinances have been issued which are worth noting: (i) Decree No. 10,952 which regulates Law 14,172/21 (transfer of R$ 3.5 billion for connectivity of public basic education students and teachers). The decree determines that the resources may be used in a fixed connection, provided that cost-effectiveness is proven or that there is no offer of mobile data in the location where the beneficiary students live; (ii) Decree n. 10,996 which updates the digital government strategy for the period from 2020 to 2022. The decree changes the deadline for digital transformation initiatives of the bodies, in order to carry out more actions in the established time frame; (iii) Decree No. 11,034, which brings new specifications to the SAC (*Serviço de Atendimento ao Consumidor*). Among the alterations, it is worth mentioning the inclusion of assistance through other channels; the withdrawal of the obligation to inform the protocol at the beginning of the service; the increase in the deadline for responding to consumer demands, from five to seven days; and (iv) Decree No. 11,260 which provides for the preparation and forwarding of the National Digital Government Strategy and extends the validity of the current version to 2023.

TIM GROUP – SELECTED FINANCIAL INFORMATION AND STATISTIC OPERATING DATA

The selected financial information set forth below is the consolidated financial data of the TIM Group as of and for each of the years ended 31 December 2022, 2021 and 2020, which has been extracted or derived from, as appropriate, the Audited Consolidated Financial Statements as of and for the years ended 31 December 2022, 2021 and 2020 (which are incorporated by reference herein).

The Audited Consolidated Financial Statements have been prepared in compliance with IFRS and have been audited by EY S.p.A.

In 2022, the TIM Group applied the accounting policies on a basis consistent with those of the previous years, except for the changes to the accounting standards issued by the IASB and in force as of 1 January 2022.

The financial information described below should be read in conjunction with the 2022 TIM Annual Report and the 2021 TIM Annual Report. See also "*Presentation of Financial and Other Information in the Information Memorandum*".

Amounts presented in this section are prepared in accordance with IFRS.

Summary Consolidated Income Statement

	For the year ended 31 December		
	2020	**2021**	**2022**
		(audited)	
		(in €millions)	
Revenues	**15,805**	**15,316**	**15,788**
Of which: service revenues	*14,403*	*13,905*	*14,600*
Other income	211	272	213
Total operating revenues and other income	**16,016**	**15,588**	**16,001**
Acquisition of goods and services	(6,173)	(6,550)	(7,239)
Employee benefits expenses	(2,639)	(2,941)	(3,180)
Other operating expenses	(961)	(1,502)	(816)
Changes in inventories	(6)	10	22
Internally generated assets	502	475	559
EBITDA	**6,739**	**5,080**	**5,347**
Of which: impact of non-recurring items	*(324)*	*(1,143)*	*(682)*
Depreciation and amortization	(4,616)	(4,490)	(4,777)
Gains/(losses) on disposals and impairment reversals (losses) on non-current assets	(19)	(4,119)	36
Operating profit (loss) (EBIT)	**2,104**	**(3,529)**	**606**
of which: impact of non-recurring items	*(324)*	*(5,263)*	*(682)*
Share of profits (losses) of associates and joint ventures accounted for using the equity method and other income (expenses) from investments	472	164	229
Finance income	1,143	1,124	1,115
Finance expenses	(2,322)	(2,274)	(2,538)
Profit (loss) before tax from continuing operations	**1,397**	**(4,515)**	**(588)**
Of which: impact of non-recurring items	*121*	*(5,144)*	*(490)*
Income tax expense	5,955	(3,885)	(2,066)
Profit (loss) from continuing operations	**7,352**	**(8,400)**	**(2,654)**
Profit (loss) from Discontinued operations/non-current assets held for sale	**-**	**-**	**-**
Profit (loss) for the period	**7,352**	**(8,400)**	**(2,654)**
Of which: impact of non-recurring items	*6,048*	*(8,653)*	*(2,437)*

Summary Consolidated Statement of Financial Position

	Year ended 31 December		
	2020	2021	2022
		(audited) (in €millions)	
Cash and cash equivalents	4,829	6,904	3,555
Property, plant and equipment owned	13,141	13,311	14,100
Total assets	**73,234**	**69,187**	**62,027**
Total equity	**28,840**	**22,039**	**18,725**
Total liabilities	**44,394**	**47,148**	**43,302**

Summary Consolidated Statement of Cash Flows

	Year ended 31 December		
	2020	2021	2022
		(audited) (in €millions)	
Cash flows from/(used in) operating activities	6,551	4,336	4,895
Cash flows from/(used in) investing activities	(3,077)	(5,117)	(5,335)
Cash flows from/(used in) financing activities	(2,009)	3,164	(2,869)
Cash flows from/(used in) Discontinued operations/Non-current assets held for sale	--	--	--
Aggregate cash flows	**1,465**	**2,383**	**(3,309)**

DIRECTORS, EXECUTIVE OFFICERS AND STATUTORY AUDITORS

Directors

On 31 March 2021, TIM Shareholders' Meeting determined in 15 the members of the Board of Directors, which will remain in office until the approval of TIM's financial statement for 2023.

The Board of Directors, on 1 April 2021, confirmed Salvatore Rossi as Chairman and Luigi Gubitosi as Chief Executive Officer of TIM. Following the resignation of Luigi Gubitosi, on 21 January 2022, the Board of Director co-opted Pietro Labriola and appointed him as Chief Executive Officer of TIM. The appointment of Pietro Labriola was confirmed by the Shareholders' Meeting on 7 April 2022. On the same date, the Board of Directors confirmed his appointment as CEO.

Respectively on 26 September and 16 November 2022, Directors Luca De Meo and Frank Cadoret resigned. Consequently, the Board of Directors co-opted Giulio Gallazzi (on 30 November 2022) and Massimo Sarmi (on 15 December 2022). The co-opted Directors shall cease office on the first Shareholders Meeting following their appointment.

On 16 January 2023, Director Arnaud De Puyfontaine resigned from his office with immediate effect.

The Board of Directors has decided not to co-opt a new Director; the decisions on the replacement of Arnaud De Puyfontaine shall be taken by the Shareholders' Meeting called for 20 April 2023, which shall also resolve upon the confirmation of the co-opted Directors (Giulio Gallazzi and Massimo Sarmi).

In the light of the above, as of the date of this Information Memorandum, the Board of Directors is composed of the following members:

Name	**Age (as of 1/1/2023)**	**Position**	**Appointment year**
Salvatore Rossi	74	Chairman/Director	2021
Pietro Labriola	56	Chief Executive Officer/ Director/ General Manager	2021
Paolo Boccardelli (1)	52	Director	2021
Paola Bonomo (1)	53	Director	2021
Paola Camagni (1)	53	Director	2021
Maurizio Carli (1)	65	Director	2021
Cristiana Falcone (1)	50	Director	2021
Federico Ferro Luzzi (1)	52	Director	2021
Giulio Gallazzi (1)	59	Director	2022
Giovanni Gorno Tempini	61	Director	2021

Marella Moretti (1)	58	Director	2021
Ilaria Romagnoli (1)	56	Director	2021
Paola Sapienza (1)	58	Director	2021
Massimo Sarmi	75	Director	2022

(1) Independent Director according to legal requirements.

The Directors have their business address at TIM's legal seat in Via Gaetano Negri 1, 20123 Milan, Italy.

Executive Officers

As of the date of this Information Memorandum, the Key Managers of TIM and their respective positions are as follows:

Name	Age (As of 1/1/2023)	Position	Appointment year
Directors:			
Pietro Labriola	56	Chief Executive Officer/General Manager	2021
Managers:			
Eugenio Santagata	50	Chief Public Affairs & Security Office	2022
Claudio Giovanni Ezio Ongaro	55	Chief Strategy & Business Development Office	2022
Adrian Calaza Noia	56	Chief Financial Office	2022
Paolo Chiriotti	53	Chief Human Resources & Organization Office	2022
Agostino Nuzzolo	55	Legal & Tax	2017
Giovanni Gionata Massimiliano Moglia	63	Chief Regulatory Affairs Office	2019
Simone De Rose	58	Procurement	2022
Elio Schiavo	60	Chief Enterprise & Innovative Solution Office	2022
Andrea Rossini	53	Chief Consumer, Small & Medium Market Office	2022
Elisabetta Romano	60	Chief Network, Operations & Wholesale Office	2022
Massimo Mancini	60	Chief Enterprise Market Office	2022
Alberto Mario Griselli	53	Diretor Presidente TIM S.A.	2022

The Executive Officers have their business address at TIM's legal seat in Via Gaetano Negri 1, 20123 Milan, Italy.

* * *

Board of Statutory Auditors

On 31 March 2021, TIM Shareholders' Meeting, based on the slates submitted by the Shareholders, appointed a Board of Statutory Auditors, which will remain in office until the approval of 2023 financial statements, composed of five Acting Auditors and four Alternate Auditors. The Shareholders Meeting also appointed Statutory Auditor Francesco Fallacara as Chairman of the Board of Statutory Auditors.

The Board of Directors of 15 March 2023 confirmed Statutory Auditor Anna Doro as member of TIM Supervisory Body pursuant to legislative decree 231/2001.

As of the date of this Information Memorandum, the Board of Statutory Auditors of TIM is composed of the following Auditors:

Name	**Position**	**Appointment year**
Francesco FALLACARA (1)	Chairman	2021
Angelo Rocco BONISSONI	Acting Auditor	2021
Francesca di DONATO	Acting Auditor	2021
Anna DORO (1)	Acting Auditor	2021
Massimo GAMBINI	Acting Auditor	2021
Ilaria Antonella BELLUCO	Alternate Auditor	2021
Laura FIORDELISI (1)	Alternate Auditor	2021
Franco Maurizio LAGRO	Alternate Auditor	2021
Paolo PRANDI (1)	Alternate Auditor	2021

(1) Elected by minority shareholders.

Under Italian Law, the Board of Statutory Auditors verifies compliance with the law and the Bylaws and verifies adherence to the best administration principles, the adequacy and reliability of corporate structures, internal audit procedures and accounting system, and the adequacy of instructions given by TIM to its subsidiaries. The Board of Statutory Auditors must receive timely disclosures, at least quarterly, from the Board of Directors about TIM's business and significant transactions performed by TIM and its subsidiaries, including related parties' transactions. Statutory Auditors must inform CONSOB of any irregularity they detect in the course of their duties and are required to attend Shareholders and Board of Directors meetings.

Potential Conflicts of Interest

Some of the Directors and Statutory Auditors of TIM, in addition to their functions in TIM, hold management and/or supervisory functions in other companies and/or institutions. Consequently, it cannot be excluded that potential conflicts of interests may arise in the future, should any of these companies and/or institutions enter into commercial or other types of transactions with TIM. The issue of conflicts of interest is regulated, *inter alia*, by the Procedure for performing transactions with related parties and by the Regulation of the Board of Directors, published on TIM's website (respectively, at TIM Group | Other Codes and Procedures (gruppotim.it) and TIM Group | Regulations (gruppotim.it)).

DESCRIPTION OF CERTAIN OTHER FINANCING ARRANGEMENTS

The following contains a summary of the terms of the TIM Group's key items of indebtedness. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalised terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the underlying debt documents, as applicable.

Revolving Credit Facility

The following table shows committed (*) revolving credit lines available at 31 December 2022:

(euro billions)	31.12.2022		31.12.2021	
	Agreed	Drawn down	Agreed	Drawn down
Sustainability-linked RCF – May 2026	4.0	—	4.0	—
Total				

(*) Under the sustainability linked revolving credit facility agreement (the "**RCF**"), originally entered into by TIM, as borrower, on 16 January 2018, as amended and restated pursuant to an amendment and restatement agreement dated 13 May 2021, the lenders thereto are committed to provide funds at request of TIM (with at least 3 days notice). Being a committed facility, the lenders must release the requested funds unless a market standard mandatory cancellation provision has been triggered (i.e. Change of Control, Borrower Illegality or Events of Default (each as defined in the RCF)).

The RCF does not contain any financial covenants (e.g. Debt/EBITDA, EBITDA/interest ratios, etc.), failure to comply with which would entail an obligation to repay the RCF.

The RCF contains other market standard covenants, such as the undertaking not to materially change the nature of TIM's business. Amongst others, TIM has also agreed not to create or permit to subsist any encumbrance (other than those permitted under the RCF) over its assets.

Furthermore, under the RCF, TIM undertakes not to merge or consolidate with any entity outside the TIM Group, except in the circumstances expressly provided for therein.

Term Loans

At 31 December 2022, TIM, as borrower, has entered into bilateral and syndicated term loans (collectively, the "**Term Loans**" and each a "**Term Loan**") for 2,950 million euros with various bank counterparties.

The loan agreements in respect of the Term Loan (the "**Term Loan Agreements**") do not contain any financial covenants (e.g. Debt/EBITDA, EBITDA/interest ratios, etc.), failure to comply with which would entail an obligation to repay the relevant Term Loan, with the exception of the loan signed on 6 July 2022, which is backed by the "Italy Guarantee" issued by SACE in accordance with art. 1, subsection 1 of Italian Decree-Law no. 23 of 8 April 2020, as subsequently amended and supplemented.

The Term Loan Agreements include other market standard covenants, including the undertaking not to pledge TIM's assets as collateral for loans (negative pledge) and the undertaking not to change the business purpose or sell TIM's assets unless specific conditions exist (e.g. the sale takes place at fair market value).

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

In addition, the outstanding loans generally contain a commitment by TIM, the breach of which is an event of default, not to implement mergers, demergers or transfers of businesses, involving entities outside the Group and in presence of certain other conditions. Such an event of default may entail, upon request of the lenders, the early redemption of the drawn amounts and/or the annulment of undrawn commitments under the relevant Term Loan Agreement.

The documentation of the Term Loans granted to certain companies of the TIM Group generally contain, instead, obligations to comply with certain financial ratios, as well as certain other market standard covenants, the breach of which gives lenders a right to request the early repayment of the relevant Term Loan. In this respect, on 23 December 2021, the subsidiary FiberCop S.p.A. signed a new 5-year Term Loan for an amount of 1.5 billion euros with a pool of international banks, which has been fully drawn down.

EIB Loans

At 31 December 2022 the nominal total of outstanding loans (the "**EIB Loans**") entered into by and among TIM, as borrower, and the European Investment Bank ("**EIB**"), as lender, was 700 million euros, all drawn down and not backed by bank guarantees.

The two EIB Loans – signed (i) on 25 November 2019 for an initial amount of 350 million euros (extended for an additional amount of 120 million euros on 19 May 2021) and (ii) on 19 May 2021 for an amount of 230 million euros – contain the following covenants:

- in the event TIM becomes the target of a merger, demerger or conferral of a business segment outside the TIM Group, or sells, disposes of or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the relevant loan agreement, or, only for certain loan agreements, the EIB shall have the option to demand the immediate repayment of the relevant loan (should the merger, demerger or contribution of a business segment outside the TIM Group compromise the Project (as defined in the relevant loan agreement) execution or cause a prejudice to EIB in its capacity as creditor);

- TIM undertook to ensure that, for the entire duration of the loan, the total financial debt of TIM Group companies other than TIM – except for the cases when that debt is fully and irrevocably secured by TIM – is lower than 35% (thirty-five percent) of the TIM Group's total financial debt;

- "Inclusion clause", under which, in the event TIM undertakes to comply with financial covenants in other loan contracts (and even more restrictive clauses, including, for instance, cross default clauses and commitments restricting the sale of goods) that are not present in or are stricter than those granted to the EIB, the EIB will have the right – if, in its reasonable opinion, it considers that such changes may have a negative impact on TIM's financial capacity – to request the provision of guarantees or an amendment of the loan contract in order to establish an equivalent provision in favour of the EIB;

- "Network Event", under which, in the event of the disposal of the entire fixed network or of a substantial part of it (in any case, more than half in quantitative terms) to third parties not controlled by the Company, or in the event of disposal of the controlling interest in the company in which the fixed network or a substantial part of it has previously been transferred, TIM must immediately inform the EIB, which may then opt to demand collateral or an amendment of the loan agreement or choose an alternative solution.

Bonds

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

Currency	Total (millions)	Nominal repayment amount (million euros) [a]	Coupon	Issue date	Maturity date	Issue price (%)
Bonds issued by TIM						
Euro	[b]1,000	1,000	3.250%	16/1/15	16/1/23	99.446
GBP	375	423	5.875%	19/5/06	19/5/23	99.622
Euro	1,000	1,000	2.500%	19/1/17	19/7/23	99.288
Euro	750	750	3.625%	20/1/16	19/1/24	99.632
Euro	1,250	1,250	4.000%	11/1/19	11/4/24	99.436
USD	1,500	1,406	5.303%	30/5/14	30/5/24	100.00
Euro	1,000	1,000	2.750%	15/4/19	15/4/25	99.320
Euro	1,000	1,000	3.000%	30/9/16	30/9/25	99.806
Euro	750	750	2.875%	28/6/18	28/1/26	100.00
Euro	1,000	1,000	3.625%	25/5/16	25/5/26	100.00
Euro	1,250	1,250	2.375%	12/10/17	12/10/27	99.185
Euro	1,000	1,000	1.625%	18/1/21	18/1/29	99.074
Euro	670	670	5.250%	17/3/05	17/3/55	99.667
Subtotal	-	**12,499**				
Bonds issued by Telecom Italia Finance S.A. and guaranteed by TIM						
Euro	1,015	1,015	7.750%	24/1/03	24/1/33	[c] 109.646
Subtotal	-	**1,015**				
Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM						
USD	1,000	937.5	6.375%	29/10/03	15/11/33	99.558
USD	1,000	937.5	6.000%	6/10/04	30/9/34	99.081
USD	1,000	937.5	7.200%	18/7/06	18/7/36	99.440
USD	1,000	937.5	7.721%	4/6/08	4/6/38	100.00
Subtotal	-	**3,750**				
Bonds issued by TIM S.A.						
BRL	1.600	288	IPCA+4.1682%	15/6/21	15/6/28	100.00
Subtotal	-	**288**				
Total	-	**17,552**				

(a) Exchange rates published by ECB and Banco Central do Brasil on 31 December 2022
(b) Repaid on 16 January 2023.
(c) Weighted average issue price for bonds issued with multiple tranches.

The change in bonds in 2022 was as follows:

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

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

The repayments, net of the TIM Group's bonds buybacks, related to the bonds maturing in the following 18 months as of 31 December 2022 issued by TIM, Telecom Italia Finance S.A. and Telecom Italia Capital S.A. (fully and unconditionally guaranteed by TIM S.p.A.) have the following details:

- 1,000 million euros, due 16 January 2023;
- 375 million pound sterling, due 19 May 2023;
- 1,000 million euros, due 19 July 2023;
- 750 million euros, due 19 January 2024;
- 1,250 million euros, due 11 April 2024;
- 1,500 million US dollars, due 30 May 2024.

On 20 January 2023, TIM S.p.A. successfully placed the Original Notes, subsequently issued on 27 January 2023.

Bonds issued by TIM, Telecom Italia Finance S.A. and Telecom Italia Capital S.A do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses the breach of which will result in the automatic early redemption of the bonds. Furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A.

Since the bonds were placed principally with institutional investors in major world capital markets (Euromarkets and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions carried out on these same markets.

Finally, as at 31 December 2022, no covenant, negative pledge or other covenants under the TIM Group's outstanding financings had been breached or violated.

CONDITIONS OF THE FURTHER NOTES

The following is the text of the Conditions of the Further Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The €400,000,000 6.875 per cent. Notes due 15 February 2028 (the **Further Notes**) issued on 12 April 2023 (the "**Further Notes Issue Date**"), to be consolidated and form a single series with the €850,000,000 6.875 per cent. Notes due 15 February 2028 (the "**Original Notes**" and, together with the Further Notes, the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series with the Notes) issued on 27 January 2023 (the "**Issue Date**") of TIM S.p.A. ("**TIM**" or the "**Issuer**") are constituted by a Trust Deed dated 27 January 2023 (the "**Original Trust Deed**"), as supplemented by a Supplemental Trust Deed dated 12 April 2023 (the "**Supplemental Trust Deed**" and, the Original Trust Deed as supplemented thereby, the "**Trust Deed**") made between the Issuer and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include its successor(s)) as trustee for the holders of the Notes (the "**Noteholders**") and the holders of the interest coupons appertaining to the Notes (the "**Couponholders**" and the "**Coupons**" respectively). Terms defined in the Trust Deed have the same meanings in these Conditions.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 27 January 2023 (the "**Original Agency Agreement**") , as supplemented by a Supplemental Agency Agreement dated 12 April 2023 (the "**Supplemental Agency Agreement**" and, the Original Agency Agreement as supplemented thereby, the "**Agency Agreement**") made between the Issuer, the initial Paying Agents (including Deutsche Bank AG, London Branch as Principal Paying Agent) and the Trustee are available for (i) inspection or collection during normal business hours by the Noteholders and the Couponholders at the principal office for the time being of the Trustee, being at the date of issue of the Notes at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom and at the specified office of each of the Paying Agents or (ii) may be provided by email to a Noteholder or Couponholder following their prior written request to the Trustee, any Paying Agents or the Issuer therefor and provision of proof of holding and identity (in form satisfactory to the Trustee, the relevant Paying Agent or the Issuer, as the case may be). The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and all the provisions of the Agency Agreement applicable to them.

1. Form, Denomination and Title

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000. Each Note will be issued with Coupons attached on issue. Notes of one denomination may not be exchanged for another denomination.

1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

Notes shall not be physically delivered in Belgium except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.

1.3 Holder Absolute Owner

The Issuer, any Paying Agent and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. Status

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

3. Covenants

3.1 Restrictions on Security Interests

The Issuer shall not create or permit to subsist any Encumbrance (other than a Permitted Encumbrance) over all or any of the present or future revenues or assets of (i) the Issuer or (ii) any Subsidiary, provided that paragraph (ii) shall apply only to Financial Indebtedness of any Subsidiary where such Financial Indebtedness is secured by, or benefits from, any such Encumbrance and is also guaranteed by the Issuer under a Guarantee.

For the avoidance of doubt in respect of asset-backed financing (either by way of a securitisation or otherwise) whereby the relevant assets are originated by the Issuer, the expression assets does not include assets which, pursuant to the requirements of law and accounting principles generally accepted in the Republic of Italy or in the country of incorporation, as the case may be, currently need not be, and are not, reflected in the balance sheet of the Issuer.

In these Conditions:

"**affiliate**" means, in relation to any Person, a subsidiary of that Person or a holding company of that Person or any other subsidiary of that holding company.

"**Control**" of a company or corporation shall be construed as the power (whether by way of ownership of shares, proxy, contract or other binding arrangement) to:

(a) cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of that company or corporation; or

(b) appoint and remove all, or the majority, of the directors of that company or corporation; or

(c) give directions with respect to the operating and financial policies of that company or corporation which the directors of that company or corporation are obliged to comply with,

pursuant to subparagraphs 1(1) and 1(2) of article 2359 of the Italian Civil Code.

"Encumbrance" means (a) a mortgage, charge, pledge, lien or other encumbrance (excluding any Guarantee) securing any obligation of any Person, and (b) any arrangement providing a creditor with a prior right to an asset, or its proceeds of sale, over other creditors in a liquidation.

"**Financial Indebtedness**" means, in respect of a Person:

(a) all indebtedness of that Person for borrowed money;

(b) all indebtedness under any acceptance credit opened on behalf of that Person, or in relation to any letter of credit issued for the account of that Person for the purpose of raising finance;

(c) the face amount of all bills of exchange for which that Person is liable;

(d) all indebtedness of that Person under any bond, debenture, note or similar instrument issued for the purpose of raising finance;

(e) all indebtedness of that Person under any interest rate or currency swap or forward currency sale or purchase or other form of interest or currency hedging transaction (including, amongst other things, caps, collars and floors);

(f) all payment obligations of that Person under any finance lease; and

(g) all liabilities of that Person (actual or contingent) under any guarantee, bond, security, indemnity or other agreement in respect of any Financial Indebtedness of any other Person.

For the avoidance of doubt, this definition excludes any Financial Indebtedness owed by one member of the TIM Group to another member of the TIM Group.

"**Guarantee"** means any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any Person or to make an investment in or loan to any Person or to purchase assets of any Person where, in each case, such obligation is assumed in order to maintain or assist the ability of such Person to meet its indebtedness.

"**Permitted Encumbrance**" means:

(a) any Encumbrance in existence on the Issue Date;

(b) any Encumbrance over or affecting any asset acquired by the Issuer after the date hereof and subject to which such asset is acquired, if:

(i) such Encumbrance was not created in contemplation of the acquisition of such asset by the Issuer;

(ii) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by the Issuer;

(c) any netting or set-off arrangement entered into by any member of the TIM Group in the normal course of its banking arrangements for the purpose of netting debit and credit balances;

(d) any title transfer or retention of title arrangement entered into by any member of the TIM Group in the normal course of its trading activities on the counterparty's standard or usual terms;

(e) Encumbrances created in substitution for any Encumbrance permitted under subparagraph (b) over the same or substituted assets. This subparagraph only applies if:

  (i) the principal amount secured by the substitute Encumbrance does not exceed the principal amount outstanding and secured by the initial Encumbrance; and

  (ii) in the case of substituted assets, if the market value of the substituted assets at the time of the substitution does not exceed the market value of the assets replaced;

(f) Encumbrances created to secure (i) loans provided, supported or subsidised by a governmental agency, export credit agency, national or multinational investment guarantee agency or a lending organisation established by the United Nations, the European Union or other international treaty organisation, including, without limitation, the European Investment Bank, the European Bank for Reconstruction and Development and the International Finance Corporation or (ii) Project Finance Indebtedness. This subparagraph (f) will, however, only apply if the Encumbrance is created on an asset of the project being financed by such loans (and/or on the shares in, and/or shareholder loans made to, the company conducting such project), or as the case may be, such Project Finance Indebtedness and remains confined to that asset (and/or shares and/or shareholder loans);

(g) Encumbrances arising out of the refinancing of any Financial Indebtedness secured by any Encumbrance permitted by subparagraphs (b) to (f). This subparagraph will, however, only apply if the amount of that Financial Indebtedness is not increased and is not secured by an Encumbrance over any additional assets;

(h) any Encumbrance arising by operation of law;

(i) any Encumbrance created in connection with convertible bonds or notes where the Encumbrance is created over the assets into which the convertible bonds or notes may be converted and secures only the obligation of the issuer to effect the conversion of the bonds or notes into such assets;

(j) any Encumbrance created in the ordinary course of business to secure Financial Indebtedness under hedging transactions entered into for the purpose of managing risks arising under funded debt obligations such as credit support annexes and agreements;

(k) any Encumbrance over or affecting any asset of the Issuer to secure Financial Indebtedness under a Permitted Leasing Transaction provided that the aggregate Financial Indebtedness secured by all such Encumbrances does not exceed euro 1,000,000,000;

(l) any Encumbrance created on short-term receivables used in any asset backed financing; and

(m) any other Encumbrance securing Financial Indebtedness of an aggregate amount not exceeding 10% of the consolidated net worth of the Issuer (as disclosed in the most recent audited consolidated balance sheet of the TIM Group).

"**Permitted Leasing Transaction**" means one or more transactions or a series of transactions as a result of which the Issuer disposes of or otherwise transfers (including, without limitation, by way of sale of title or grant of a leasehold or other access, utilisation and/or possessory interest(s)) its rights to possess, use and/or exploit all or a portion of a particular asset or particular assets owned, used and/or operated by the Issuer (or its rights and/or interests in respect thereof) to one or more other Persons in circumstances where the Issuer or an affiliate shall have the right to obtain or retain possession, use and/or otherwise exploit the asset or assets (or rights and/or interests therein) so disposed of or otherwise transferred.

"**Person**" means any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organisation or government or agency or political subdivision thereof.

"**Project Finance Indebtedness**" means any indebtedness incurred by a debtor to finance the ownership, acquisition, construction, development and/or operation of an asset in respect of which the Person or Persons to whom such indebtedness is, or may be, owed have no recourse whatsoever for the repayment of or payment of any sum relating to such indebtedness other than:

(a) recourse to such debtor for amounts limited to the cash flow from such asset; and/or

(b) recourse to such debtor generally, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation, representation or warranty (not being a payment obligation, representation or warranty or an obligation, representation or warranty to procure payment by another or an obligation, representation or warranty to comply or to procure compliance by another with any financial ratios or other test of financial condition) by the Person against whom such recourse is available; and/or

(c) if such debtor has been established specifically for the purpose of constructing, developing, owning and/or operating the relevant asset and such debtor owns no other significant assets and carries on no other business, recourse to all of the assets and undertaking of such debtor and the shares in the capital of such debtor and shareholder loans made to such debtor.

"**Subsidiary**" means a corporation in respect of which more than 50% of the outstanding voting shares or equity interest having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or Controlled by the Issuer or by one or more of its Subsidiaries, or by the Issuer and one or more Subsidiaries.

"**TIM Group**" means TIM and its Subsidiaries from time to time.

3.2 Mergers and Similar Events

So long as any Note remains outstanding, the Issuer may consolidate or merge with another company or firm, sell or lease all or substantially all of its assets to another company or buy or lease all or substantially all of the assets of another company, provided that the Issuer shall not take any of these actions unless:

(a) where the Issuer merges out of existence or sells or leases all or substantially all of its assets, the other company assumes all the then existing obligations of the Issuer (including, without limitation, all obligations under the Notes and the Trust Deed), either by law or contractual arrangements;

(b) if the other company is organised under the laws of a country other than Italy, it must indemnify the Noteholders and Couponholders against (i) any tax, assessment or governmental charge imposed on any such Noteholder or Couponholder or required to be withheld or deducted from any payment to such Noteholder or Couponholder as a consequence of such merger, conveyance, transfer or lease and (ii) any costs or expenses of the act of such merger, conveyance, transfer or lease; provided that, if such company is incorporated in Italy, such other company shall not be liable under such indemnity to pay any additional amounts either on account of "*imposta sostitutiva*" or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy; and

(c) the merger, sale or lease of all or substantially all of the assets of the Issuer will not be an Event of Default (as defined in Condition 9 (*Events of Default*)) and no Event of Default or other event which, with the giving of notice or lapse of time or other condition (including, without limitation, certification from the Trustee), would be an Event of Default has occurred and is outstanding.

4. Interest

4.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from and including 27 January 2023 at the rate of 6.875 per cent. per annum, payable semi-annually in arrear on 15 February and 15 August in each year (each an "**Interest Payment Date**"). The first payment (for the period from and including the Issue Date to but excluding the first Interest Payment Date, being 15 August 2023, and amounting to € 37.92 per €1,000 principal amount of Notes) shall be made on 15 August 2023.

4.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event interest will continue to accrue as provided in the Trust Deed.

4.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than six months, it shall be calculated by applying the rate of 6.875 per cent. per annum to each €1,000 principal amount of Notes (the "**Calculation Amount**") and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date multiplied by two. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

5. Payments

5.1 Payments in Respect of Notes

Payments of principal, premium and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

5.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee and maintained with a bank in a city in which banks have access to the TARGET System.

For the purposes of these Conditions, "**TARGET System**" means the Trans European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System.

5.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

5.4 Payment Only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

"**Presentation Date**" means a day which (subject to Condition 8 (*Prescription*)):

(a) is or falls after the relevant due date;

(b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and

(c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In this Condition, "**Business Day**" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and "**TARGET2 Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

5.5 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents *provided that*:

(a) there will at all times be a Principal Paying Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having a specified office in the place required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and

(c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12 (*Notices*).

6. Redemption and Purchase

6.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount (the "**Final Redemption Amount**") on 15 February 2028 (the "**Maturity Date**").

6.2 Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 12 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) either:

(a) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 25 January 2023 and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) where a Person into which the Issuer is merged or to whom it has conveyed, transferred or leased all or substantially all of its assets is required to pay additional amounts, unless the sole purpose of such a merger would be to permit the Issuer to redeem the Notes,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by a duly authorised representative of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their principal amount together with any interest accrued to (but excluding) the date of redemption.

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

The Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 12 (*Notices*); and

(b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a);

(which notices shall be irrevocable and shall specify the date fixed for redemption (the "**Optional Redemption Date**")), redeem all (but not some only) of the Notes at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

For the purposes of this Condition 6.3, the "**Optional Redemption Amount**" will be an amount which is the higher of:

(a) 101 per cent. of the principal amount of the Notes to be redeemed; and

(b) as determined by the Reference Dealers (as defined below), the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Bond Rate (as defined below) *plus* the Redemption Margin,

plus, in each case, any interest accrued on the Notes to, but excluding, the Optional Redemption Date.

As used in this Condition 6.3:

"**Redemption Margin**" shall be 0.50 per cent. per annum;

"**Reference Bond**" shall be the direct obligation of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the Optional Redemption Date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Issuer)) most nearly equal to the period from the Optional Redemption Date to the Maturity Date;

"**Reference Dealers**" shall be each of the four banks selected by the Issuer which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues; and

"**Reference Bond Rate**" means with respect to the Reference Dealers and the Optional Redemption Date, the average of the four quotations of the mid-market semi-annual yield to maturity of the Reference Bond or, if the Reference Bond is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers at 11.00 a.m. London time on the third business day in London preceding the Optional Redemption Date quoted in writing to the Issuer by the Reference Dealers.

All Notes in respect of which any such notice is given under this Condition 6.3 shall be redeemed on the date specified in such notice in accordance with this Condition 6.3.

6.4 Redemption at the Option of the Issuer (Issuer Maturity Par Call)

The Issuer may, having given:

(a) not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*); and

(b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes then outstanding in whole, but not in part, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at the Final Redemption Amount, together (if appropriate) with interest accrued but unpaid to (but excluding) the date fixed for redemption.

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

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

A "**Put Event**" will be deemed to occur either:

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

(b) upon the direct or indirect sale, lease, transfer, conveyance or other disposition (including, without limitation, by way of de-merger, spin-off, dividend in kind or other separation), in one or a series of related transactions (each a "**Disposition**") of (i) all or a substantial portion (constituting more than one-half in quantitative terms) of the properties or assets comprised in the Network to a Person or Persons which are not a Subsidiary or, as applicable, Subsidiaries of the Issuer or (ii) shares of a Person or Persons to which the Network, or a substantial portion thereof, was previously transferred if such Disposition of shares results in the Issuer ceasing to have Control over any such Person or Persons; provided that, solely in respect of this sub-paragraph (b), immediately after giving *pro forma* effect to such Disposition (including any substantially concurrent application of the proceeds thereof) the Consolidated Net Leverage Ratio of the Issuer exceeds 3.00 to 1.00 (any such Disposition, a "**Network Event**").

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 12 (*Notices*) specifying (i) that Noteholders are entitled to exercise the Put Option; (ii) all information material to Noteholders in relation to the Change of Control or Network Event; and (iii) the procedure for exercising the Put Option.

To exercise the Put Option, the holder of the Notes must deliver at the specified office of any Paying Agent on any Business Day at the place of such specified office falling within the period of 60 days following the date of the Put Event Notice (the "**Put Period**"), a duly signed and completed notice of exercise in the form (for the time being current and which may, if this Note is held through Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), be any form acceptable to Euroclear and Clearstream, Luxembourg delivered in a manner acceptable to Euroclear and Clearstream, Luxembourg) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this paragraph accompanied by such Notes and all Coupons appertaining thereto or evidence satisfactory to the Paying Agent concerned that such Notes and all Coupons appertaining thereto will, following the delivery of the Put Notice, be held to its order or under its control. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice.

In this Condition:

the "**Acquisition of Control**" means, with respect to the Issuer, the acquisition, either by way of public tender offer, private arrangement or otherwise, of Control of the Issuer by any third party other than:

(a) any shareholder of the Issuer holding directly or indirectly as at the Issue Date more than 9% of the voting rights exercisable in the ordinary shareholders meeting of the Issuer; and/or

(b) the direct or indirect majority shareholder of, and/or any company or entity participated in and controlled by, such shareholder as at the Issue Date; and/or

(c) any single shareholder or combination of shareholders referred to in subparagraph (a) and/or (b) above ("**Permitted Acquiring Shareholders**"), also acting jointly with any third parties provided that in such case the Permitted Acquiring Shareholders hold at least Joint Control of the Issuer;

provided that notwithstanding the foregoing a transaction will not be deemed to involve an Acquisition of Control solely as a result of the Issuer becoming a direct or indirect wholly-owned subsidiary of a holding company if (x) the direct or indirect holders of the voting rights exercisable in the ordinary shareholders meeting of such holding company immediately following that transaction are substantially the same as the holders of voting rights exercisable in the ordinary shareholders meeting of the Issuer immediately prior to that transaction or (y) immediately following that transaction no third party (other than a holding company satisfying the requirements of this sentence) has Control of such holding company.

"**Consolidated EBITDA**" means, with respect to the Issuer for any period, the Organic EBITDA-AL, calculated on a basis consistent (as to the nature of the adjustments) with the Organic EBITDA-AL for the year ended 31 December 2021 as set forth in "*Summary—Summary Consolidated Financial and Other Information—Other Financial Data*" contained in the Information Memorandum, applied in good faith by the Issuer to the extent such adjustments continue to be applicable during the period for which Consolidated EBITDA is being calculated.

"**Consolidated Net Indebtedness**" means, as of any date of determination, the consolidated adjusted net financial debt after lease of the Issuer calculated on a basis consistent (as to the nature of the adjustments) with the adjusted net financial debt after lease as of 31 December 2021 as set forth in "*Summary—Summary Consolidated Financial and Other Information—Net Financial Debt*" contained in the Information Memorandum applied in good faith by the Issuer to the extent such adjustments continue to be applicable during the date for which adjusted net financial debt after lease is being calculated.

"**Consolidated Net Leverage Ratio**" means, as at any date of determination, the ratio of: (1) the pro forma Consolidated Net Indebtedness on such date, to (2) the pro forma Consolidated EBITDA for the period of the Issuer's most recent four consecutive fiscal quarters for which internal consolidated financial statements are available; provided that for the purposes of calculating Consolidated Net Leverage Ratio for such period (and without duplication of any adjustments already made in the calculation of Consolidated EBITDA):

(a) if the Issuer or any of its Subsidiaries has Incurred any Financial Indebtedness since the beginning of such period that remains outstanding, Consolidated EBITDA and Consolidated Net Indebtedness for such period shall be calculated, without duplication, after giving effect on a pro forma basis to such Financial Indebtedness as if such Financial Indebtedness had been Incurred on the first day of such period;

(b) if the Issuer or any of its Subsidiaries has repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged any Financial Indebtedness (each, a "Discharge") any Financial Indebtedness since the beginning of such period that is no longer outstanding, Consolidated EBITDA and Consolidated Net Indebtedness for such period shall be calculated, without duplication, after giving effect on a pro forma basis to such Discharge as if such Discharge had occurred on the first day of such period;

(c) if, since the beginning of such period, the Issuer or any of its Subsidiaries shall have disposed of any company, any business or any group of assets constituting an operating unit of a business (any such disposition, a "**Sale**") or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Sale for such period, or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto, for such period and the Consolidated Net Indebtedness for such period shall be reduced by an amount equal to the Consolidated Net Indebtedness directly attributable to any Financial Indebtedness of the Issuer or of any Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Subsidiaries in connection with such Sale for such period (or, if the Capital Stock of any Subsidiary is sold, the Consolidated Net Indebtedness for such period directly attributable to the Financial Indebtedness of such Subsidiary to the extent the Issuer and the continuing Subsidiaries are no longer liable for such Financial Indebtedness after such Sale); provided that if any such Sale constitutes "discontinued operations" or "non-current assets held for sale" in accordance with then applicable IFRS, Consolidated EBITDA for such period shall only be reduced or increased to the extent such profit or loss increased or decreased, as applicable, the Consolidated EBITDA for such period;

(d) if, since the beginning of such period, the Issuer or any of its Subsidiaries (by merger, consolidation, amalgamation or other combination or otherwise) shall have made an investment in any Subsidiary (or any Person which becomes a Subsidiary) or otherwise has acquired any company, any business or any group of assets constituting an operating unit of a business (any such investment or acquisition, a "Purchase"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Net Indebtedness for such period shall be calculated after giving pro forma effect thereto as if such Purchase occurred on the first day of such period;

(e) any Person that is a Subsidiary (after giving pro forma effect to the transaction causing a calculation to be made hereunder) on the relevant calculation date will be deemed to have been a Subsidiary at all times during such reference period;

(f) any Person that is not a Subsidiary (after giving pro forma effect to the transaction causing a calculation to be made hereunder) on the relevant calculation date will not be deemed to have been a Subsidiary at any time during such reference period; and

(g) if, since the beginning of such period, any Person (that subsequently became a Subsidiary or was merged or otherwise combined with the Issuer or any Subsidiary since the beginning of such period) shall have made any Sale or any Purchase that would have required an adjustment pursuant to paragraph (c) or (d) above if made by the Issuer or a Subsidiary during such period, Consolidated EBITDA and Consolidated Net Indebtedness for such period shall be calculated after giving pro forma effect thereto as if such Sale or Purchase had occurred on the first day of such period.

For purposes of this definition only, Financial Indebtedness does not include payment obligations under finance leases.

"**Control**" has the meaning given to that term in Condition 3.1 (*Restrictions on Security Interests*).

"**Controlling Rights**" means the power to exercise Control in respect of the Issuer.

"**Information Memorandum**" means the Preliminary Information Memorandum relating to the offering of the Original Notes dated on or about 19 January 2023.

"**IFRS**" means the International Financial Reporting Standards as endorsed by the European Union, as in effect from time to time.

"**Joint Control**" means a situation where two or more parties:

(a) collectively Control the Issuer; and

(b) no one party individually (or collectively with its affiliates) Controls the Issuer; and

each such party has the power to prevent, including, without limitation, by means of veto powers, the other parties from exercising their Controlling Rights with respect to the Issuer.

"**Network**" means the fixed network infrastructure in Italy owned by the Issuer and its Subsidiaries at the Issue Date and used for transmission of voice and data.

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

At any time, the Issuer may on any one or more occasions, upon not less than 15 nor more than 30 days' notice, redeem up to 40 per cent. of the aggregate principal amount of the Notes originally issued at a redemption price equal to 106.875 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant Interest Payment Date), with the net cash proceeds of an Equity Offering received by the Issuer; provided that:

(a) at least 60 per cent. of the aggregate principal amount of the Notes originally issued (excluding the Notes held by the Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(b) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

In these Conditions:

"**Board of Directors**" means:

(a) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorised to act on behalf of such board;

(b) with respect to a partnership, the board of directors of the general partner of the partnership;

(c) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(d) with respect to any other Person, the board or committee of such Person serving a similar function.

"**Capital Stock**" means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or, membership interests; and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

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

"Voting Stock" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

6.7 Provisions Relating to Partial Redemption

In the case of a partial redemption of Notes, Notes to be redeemed will be selected, in such place as the Trustee may approve and in such manner as the Trustee may deem appropriate and fair, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

6.8 Purchases

The Issuer and any of its Subsidiaries (as defined above) may at any time purchase Notes (*provided that* all unmatured Coupons appertaining to the Notes are purchased with the Notes) in the open market or otherwise at any price. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

6.9 Cancellations

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation by surrendering each such Note, together with all relative unmatured Coupons attached to the Notes, to the Principal Paying Agent and if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged. Any Notes not so surrendered for cancellation may be reissued or resold.

6.10 Notices Final

Upon the expiry of any notice as is referred to in Condition 6.2 (*Redemption for Taxation Reasons*), Condition 6.3 (*Redemption at the Option of the Issuer (Make-Whole Call)*), Condition 6.4 (*Redemption at the Option of the Issuer (Issuer Maturity Par Call)*), Condition 6.5 (*Redemption at the Option of the Holders on the Occurrence of a Change of Control and Network Event*) and Condition 6.6 (*Redemption at the Option of the Issuer (Equity Offering)*) above, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

7. Taxation

7.1 Payment without Withholding

All payments of principal, premium and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal, premium and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable:

(a) in respect of any Note or Coupon presented for payment by or on behalf of a holder who is liable for such Taxes in respect of such Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of such Note or Coupon; or

(b) in respect of any Note or Coupon presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Presentation Date (as defined in Condition 5.5); or

(c) in relation to any payment or deduction of any interest, principal or other proceeds with respect to any Note or Coupon for or on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**") and any related implementing regulations, each as amended and/or supplemented from time to time or superseded.

For the avoidance of doubt, no additional amount shall be payable by the Issuer with respect to any Note or Coupon for or on account of *imposta sostitutiva* if the holder becomes subject to *imposta sostitutiva* by reason of an amendment or supplement to or replacement of the list of countries which provide for a satisfactory exchange of information with the Republic of Italy, according to Article 6 of Decree No. 239 and any related implementing regulations, each as amended and/or supplemented from time to time or superseded; or

(d) in respect of any Note or Coupon presented for payment by or on behalf of a holder if such withholding or deduction may be avoided by such holder producing a declaration or other evidence of non-residence in the Relevant Jurisdiction to the relevant taxing authority or making any other claim or filing, but fails to do so; or

(e) in respect of any Note or Coupon in the event of payment to a non Italian resident legal entity or non Italian resident individual, to the extent that interest or other amounts are paid to a non Italian resident legal entity or non Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes and Coupons by or on behalf of the Issuer will be paid net of any deduction or withholding: (i) imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or any official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"); or (ii) imposed on a payment by a Luxembourg paying agent to an individual resident in Luxembourg pursuant to the Law of 23 December 2005, as amended ("**Luxembourg Withholding"**). Neither the Issuer nor any other person will be required to pay additional amounts on account of any FATCA Withholding.

As used herein:

(i) "**Relevant Jurisdiction**" means the Republic of Italy and/or such other taxing jurisdiction to which the Issuer becomes subject by reason of its tax residence, or any political subdivision or any authority thereof or therein having power to tax; and

(ii) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12 (*Notices*).

8. Prescription

Notes and Coupons will become void unless presented for payment within periods of ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5 (*Payments*).

9. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) (but only if, except in relation to paragraph 9(a) below, the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that the Notes are, and the Notes shall thereupon immediately become, due and repayable at their redemption amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall have occurred and be continuing:

(a) *Non-payment*: default is made in the payment of any principal, premium or interest due in respect of the Notes or any of them and the default continues for a period of 10 days in the case of principal and premium and 30 days in the case of interest; or

(b) *Breach of other obligations*: the Issuer fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and the failure continues for the period of 60 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(c) *Cross-default of Issuer*:

(i) any Capital Markets Indebtedness of the Issuer in excess of €100,000,000 (or the equivalent thereof in other currencies) has to be repaid prematurely due to a default under its terms; or

(ii) the Issuer fails to fulfil any payment obligation exceeding €100,000,000 (or the equivalent thereof in other currencies) under any Capital Markets Indebtedness, or under any guarantee provided for any such Capital Markets Indebtedness in excess of €100,000,000 (or the equivalent thereof in other currencies) of others, and such failure continues for a period of 30 days; or

(iii) any security or guarantee relating to Capital Markets Indebtedness in excess of €100,000,000 (or the equivalent thereof in other currencies) provided by the Issuer is enforced by the lenders and such enforcement is not contested in good faith by the Issuer or the Issuer publicly announces its inability to meet its financial obligations; or

(d) *Insolvency*:

(i) a court opens insolvency or equivalent proceedings against the Issuer which are not resolved within six months, unless such proceedings are frivolous or vexatious and contested in good faith and appropriately and do not result in court orders or the Issuer applies for such insolvency or equivalent proceedings; or

(ii) the Issuer approves a resolution pursuant to which it goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer, in connection with the Notes and the Trust Deed.

As used herein, "**Capital Markets Indebtedness**" means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities, in each case which is/are listed or traded on a stock exchange or other recognised securities market.

10. Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or pre-funded and/or secured to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed fails or is unable so to do within 90 days, and the failure or inability shall be continuing.

11. Replacement of Notes and Coupons

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Notices

All notices regarding the Notes will be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) and, so long as the Notes are listed on the Luxembourg Stock Exchange and the listing rules of such exchange so require, all notices to Noteholders shall be deemed to be duly given if they are published in one daily newspaper in Luxembourg or on the website of the Luxembourg Stock Exchange: *www.luxse.com*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given if published in a leading English language daily newspaper published in London, on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

13. Substitution

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 13) as the principal debtor under the Notes, Coupons and the Trust Deed of another company, being any entity that may succeed to, or to which the Issuer (or any previous substitute under this Condition 13) may transfer, all or substantially all of the assets and business of the Issuer (or any previous substitute under this Condition 13) by operation of law, contract or otherwise, subject to (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (b) certain other conditions set out in the Trust Deed being complied with.

14. Meetings of Noteholders, Modification, Waiver, Authorisation and Determination

14.1 Meetings of Noteholders

The Trust Deed contains provisions consistent with the laws, legislation, rules and regulations of the Republic of Italy (including without limitation Legislative Decree No. 58 of 24 February 1998, as amended) for convening meetings of the Noteholders (which may be at a physical location or by way of conference call or videoconference) to consider any matter affecting their interests, including any modifications of the Conditions or of any provisions of the Trust Deed. The above provisions are subject to compliance with mandatory laws, rules and regulations of the Republic of Italy in force from time to time.

The quorum and the majorities for passing resolutions at any such meetings are established by Article 2415 of the Italian Civil Code, Legislative Decree No. 58 of 24 February 1998 and the Issuer's by-laws.

Resolutions passed at any meeting of the Noteholders shall be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders. In accordance with the Italian Civil Code, a *rappresentante comune*, being a joint representative of Noteholders, may be appointed in accordance with Article 2417 of the Italian Civil Code in order to represent the Noteholders' interest hereunder and to give execution to the resolutions of the meeting of the Noteholders.

14.2 Waiver, Authorisation, Determination and Exercise by the Trustee of Discretions Etc.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct an error which is manifest or, in the opinion of the Trustee, proven.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

14.3 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12 (*Notices*).

15. Indemnification of the Trustee and Trustee Contracting with the Issuer

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes. Any further notes which are to form a single series with the Notes shall be constituted by a deed supplemental to the Trust Deed.

17. Governing Law and Submission to Jurisdiction

17.1 Governing Law

The Trust Deed, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Coupons are governed by, and construed in accordance with, English law save for the mandatory provisions of Italian law relating to the meetings of Noteholders and the Noteholders' Representative.

17.2 Submission to Jurisdiction

(a) English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes or the Coupons), including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes or the Coupons (a "**Dispute**") and each of the Issuer, the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

17.3 Appointment of Process Agent

The Issuer irrevocably appoints TI Sparkle UK Limited at 6 New Street Square, London, EC4A 3DJ as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of TI Sparkle UK Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

17.4 Other Documents

The Issuer has in the Agency Agreement and the Trust Deed submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

18. Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE FURTHER NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The following is a summary of the provisions contained in the Trust Deed to constitute the Further Notes and in the Global Notes which will apply to, and in some cases modify, the Conditions of the Further Notes while the Further Notes are represented by the Global Notes.

1. Accountholders

For so long as all of the Further Notes are represented by one or more Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Further Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Further Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Further Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 6.5 (*Redemption at the Option of the Holders on the Occurrence of a Change of Control and Network Event*) other than with respect to the payment of principal, premium and interest on such principal amount of such Further Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

2. Payments

On and after 22 May 2023, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal, premium and interest in respect of Further Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Further Notes, against surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Further Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Further Notes are represented by one or more Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 12 (*Notices*), *provided that*, so long as the Further Notes are listed on any stock exchange, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Further Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Principal Paying Agent and the applicable clearing system may approve for this purpose.

4. Interest Calculation

For so long as Further Notes are represented by one or more Global Notes, interest payable to the bearer of a Global Note will be calculated by applying the rate of 6.875 per cent. per annum to the principal amount of the Global Note and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date multiplied by two. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards.

5. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Further Notes only:

(a) upon the happening of any of the events defined in the Trust Deed as "Events of Default";

(b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or

(c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Further Notes in definitive form and a certificate to such effect signed by two authorised signatories of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and the Principal Paying Agent and (in the case of (c)) the Issuer may give notice to the Trustee, the Principal Paying Agent and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Further Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Exchanges will be made upon presentation of the Permanent Global Note to or to the order of the Principal Paying Agent on any day on which banks are open for general business in London. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Further Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Further Notes.

6. Prescription

Claims against the Issuer in respect of principal and interest on the Further Notes represented by a Global Note will be prescribed after ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)).

7. Cancellation

Cancellation of any Further Note represented by a Global Note and required by the Conditions of the Further Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

8. Put Option

For so long as all of the Further Notes are represented by one or more Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 6.5 (*Redemption at the Option of the Holders on the Occurrence of a Change of Control and Network Event*) may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) of the principal amount of the Further Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly within the time limits set forth in that Condition.

9. Redemption at the Option of the Issuer

For so long as all of the Further Notes are represented by one or more Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Further Notes to be redeemed will be required under Condition 6.7 (*Provisions Relating to Partial Redemption*) in the event that the Issuer exercises its call option pursuant to Condition 6.6 (*Redemption at the Option of the Issuer (Equity Offering)*) in respect of less than the aggregate principal amount of the Further Notes outstanding at such time. In such event, the partial redemption will be effected in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

10. Euroclear and Clearstream, Luxembourg

Further Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate.

11. Fungibility

The Further Notes shall be consolidated and form a single series with the Original Notes on and from the date on which, and to the extent that, interests in the Temporary Global Note are exchanged for interests in the Permanent Global Note, as described above. The Conditions of the Further Notes shall be construed accordingly.

TAXATION

The following overview contains a description of certain Italian, EU and Luxembourg tax consequences in respect of the purchase, ownership and disposal of the Further Notes. This overview is based on the laws in force in Italy, the EU and Luxembourg as at the date of this Information Memorandum (as they are currently applied by the relevant tax authorities) and is subject to any changes in such laws occurring after such date, which changes could be made also on a retroactive basis.

The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Further Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Further Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Further Notes.

Italian taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws and published practices presently in force in Italy, though it is not intended to be, nor should it be constructed to be, legal or tax advice. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes, including the application to their particular situation of the tax considerations discussed below.

The statements herein regarding Italian taxation are based on the laws and published practices in force in Italy as of the date of this Information Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

Tax treatment of Notes

Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**"), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia,* by companies listed on an Italian regulated market.

For these purposes, pursuant to Article 44 of the Presidential Decree No. 917 of 22 December 1986 (the "**Italian Tax Code**" or the "**ITC**"), as amended and supplemented from time to time, securities similar to bonds are defined as securities that: (i) incorporate an unconditional obligation to pay, at maturity or redemption, an amount not less than their nominal value, (ii) do not provide for a remuneration which is entirely linked to the profits of the issuer, or other companies belonging to the same group or to the business in respect of which the securities have been issued and that (iii) do not give any right to directly or indirectly participate in the management of the issuer or of the business in relation to which the securities are issued nor any type of control on the management.

Italian resident Noteholders

Where an Italian resident Noteholder is *inter alia* (i) an individual not engaged in entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the "*risparmio gestito*" regime – see under "*Capital gains tax*" below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income (other than capital gains) ("**Interest**") relating to the Notes, accrued during the relevant holding period, are subject to a tax withheld at source, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent..

Subject to certain conditions (including a minimum holding period requirement) and limitations, Interest relating to the Notes may be exempt from any income taxation (including from the 26 per cent. *imposta sostitutiva*) if the Noteholders are Italian resident individuals not engaged in entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements from time to time applicable set forth under Italian Law.

If the Noteholders described under *inter alia* (i) to (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional tax and it may be credited against the overall income tax due by the tax payer in respect of the income derived from its business activity which will include Interest.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary (as defined below), Interest from the Notes will not be subject to *imposta sostitutiva* but must be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation ("**IRES**") and, in certain circumstances, depending on the status of Noteholder, also to regional tax on productive activities ("**IRAP**").

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree No. 351**"), Article 32 of Law Decree No. 78 of 31 May 2010, converted into law with amendments by Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, payments of Interest in respect of the Notes made to Italian resident real estate investment funds created under Article 37 of Legislative Decree No. 58, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 and Italian real estate investment companies with fixed capital - SICAFs (together, the "**Real Estate Investment Funds**") are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Investment Fund, provided that the Notes are timely deposited with a qualified intermediary (as defined below) but a withholding or substitute tax of 26 per cent. will apply, in certain circumstances, to income realised by unitholders or shareholders in case of distributions, redemption or sale of the units.

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund, a *Società di Investimento a Capitale Fisso* ("**SICAF**") (other than a Real Estate Investment Fund) or a *Società di Investimento a Capitale Variabile* ("**SICAV**") established in Italy (together, the "**Fund**") and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority and the Notes are deposited with an authorised intermediary (as defined below), Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva* nor to any other income at the level of the Fund, but must be included in the management results of the Fund accrued at the end of each tax period. The Fund will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders or in case of redemption or sale of the units or shares in the Fund.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary (as defined below), Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, which will be subject to a 20 per cent. substitute tax. Subject to certain conditions (including a minimum holding period requirement) and limitations, Interest relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements from time to time applicable set forth under Italian law.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an "**Intermediary**") as subsequently amended and integrated.

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary or a non-Italian resident financial intermediary – acting through a central securities depository – which is directly connected with Italian Revenue Agency, having appointed an Italian tax representative for the purposes of Legislative Decree 239 and (ii) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited. Where the Notes are not deposited with an Intermediary, *imposta sostitutiva* is applied and withheld by any Italian intermediary paying Interest to the holders of the Notes or, absent that, by the Issuer and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct the suffered imposta sostitutiva from income taxes due.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either: (i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Republic of Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended from time to time, or in any other decree to be issued in the future under the authority of Article 11(4)(c) of Decree No. 239, as amended by Legislative Decree No. 147 of 14 September 2015 (the "**White List**"). Pursuant to Article 1-*bis* of Ministerial Decree of 4 September 1996, the Ministry of Economy and Finance holds the right to test the actual compliance of each country included in the list with the exchange of information obligation and, in case of reiterated violations, to remove it from the list; or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) an institutional investor which is established in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of establishement.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected must (i) be the beneficial owners of the payments of Interest, (ii) deposit, directly or indirectly, the Notes in due time with a resident bank or SIM, or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a central securities depository which is in contact, via computer, with the Ministry of Economy and Finance and (iii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder states to be eligible to benefit from the applicable exemption from the *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by the Ministerial Decree of 12 December 2001, as subsequently amended.

Imposta sostitutiva will be applicable at the rate of 26 per cent. (or, in any case, at the reduced rate provided for by the applicable double tax treaty, if any and subject to timely filing of required documentation) to Interest paid to Noteholders who do not fall in any of the above mentioned categories or do not timely and properly comply with the set procedural requirements.

Fungible issues

Pursuant to Article 11(2) of Decree No. 239, where the Issuer issues a new tranche of notes forming part of a single series with a previous tranche of notes, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva* (if any), the issue price of the new tranche of notes will be deemed to be the same as the issue price of the original tranche of notes. This rule applies where (a) the new tranche of notes is issued within 12 months from the issue date of the previous tranche of notes and (b) the difference between the issue price of the new tranche of notes and that of the original tranche of notes does not exceed 1 per cent. of the nominal value of the notes multiplied by the number of years of the duration of the notes.

Capital gains tax

Italian resident Noteholders

Any capital gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the status of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity, including the permanent establishment in Italy of foreign entities to which the Notes are effectively connected, or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is *inter alia* (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva* provided for by Legislative Decree No. 461 of 21 November 1997, levied at the rate of 26 per cent.. Under certain conditions and limitations, Noteholders may set off losses with gains.

Subject to certain conditions (including a minimum holding period requirement) and limitations, capital gains realised upon sale or redemption of the Notes may be exempt from any income taxation (including from the 26 per cent. *imposta sostitutiva*) if the Noteholders are Italian resident individuals not engaged in entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements from time to time applicable set forth under Italian law.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

(a) "*Regime della dichiarazione*". Under the tax return regime, which is the default regime for Italian Noteholders under (i) through (iii) above, *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any incurred capital loss offsettable, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. The relevant Noteholder must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss offsettable, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

(b) "*Regime del risparmio amministrato*". As an alternative to the tax return regime, Italian resident individual Noteholders under (i) through (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes. Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to report the capital gains in the annual tax return.

(c) "*Regime del risparmio gestito*". Any capital gains realised by Italian Noteholder under (i) through (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any decrease in value of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to report the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder that is a Real Estate Investment Fund will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Investment Fund. However, a withholding tax or a substitute tax at the rate of 26 per cent. will apply, in certain circumstances, to income realised by unitholders or shareholders in case of distributions, redemption or sale of the units or shares.

Any capital gains realised by an Italian Noteholder that is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. Such result will not be taxed at the level of the Fund, but income realised by unitholders or shareholders in case of distributions, redemption or sale of the units or shares, may be subject to a withholding tax of 26 per cent.

Any capital gains realised by a Noteholder that is an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including a minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements from time to time applicable set forth under Italian law.

Non-Italian resident Noteholders

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes traded on regulated markets are not subject to *imposta sostitutiva*. Pursuant to the interpretation of the Italian tax authorities the notion of multilateral trading facility ("**MTF**") under EU Directive 2014/65/CE (so called MiFID II) should be assimilated to that of "regulated market" for income tax purposes; conversely, organized trading facilities (OTF), not falling in the definition of MTF under MiFID II, should not be assimilated to "regulated market" for Italian income tax purposes.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of the Notes not traded on regulated markets are not subject to *imposta sostitutiva* provided that the beneficial owner of the capital gains (i) is resident for income tax purposes in a country included in the White List; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) is an institutional investor which is established in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of establishement, in any case, to the extent all the requirements and procedures in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time, if applicable.

If none of the conditions described above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes not traded on regulated markets and deemed to be held in Italy are subject to *imposta sostitutiva* at the current rate of 26 per cent. under the *risparmio amministrato* regime rules, which is the default regime for non-Italian resident investor, unless the latter has opted for the tax return regime or, alternatively, for the *risparmio gestito* regime

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the country of tax residence of the recipient, and subject to timely filing of required documentation, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of the Notes.

Inheritance and gift taxes

The transfers of any valuable asset (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens (*vincoli di destinazione*) on such assets for a specific purpose are taxed as follows:

(i) transfers in favour of the spouse and of direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding € 1,000,000 (per beneficiary);

(ii) transfers in favour of the brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the value of the inheritance or the gift exceeding € 100,000 (per beneficiary);

(iii) transfers in favour of all other relatives up to the fourth degree or relatives-in-law up to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift; and

(iv) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognised pursuant to Law No. 104 of 5 February 1992, the tax is applied only on the value of the assets (including the Notes) received in excess of € 1,500,000 at the rates illustrated above, depending on the type of relationship existing between the deceased or donor and the beneficiary.

Under certain conditions, the *mortis causa* transfer of financial instruments included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth by law are exempt from inheritance taxes.

Wealth Tax on Financial Products Held Abroad (the so-called IVAFE)

In accordance with Article 19 of Decree No. 201 of 6 December 2011, converted with Law No. 214 of 22 December 2011, as subsequently amended, Italian resident individuals, non-commercial entities and certain partnership (*società semplici* or similar partnership in accordance with a Article 5 of the ITC) holding financial products – including the Notes – outside of the Italian territory are required to pay a wealth tax ("***Imposta sul valore delle attività finanziarie detenute all'estero*** " – "**IVAFE**"). The applicable tax rate is 0.2 per cent of the value of such assets (the tax is determined in proportion to the period of ownership). Based on Art. 134 of Law Decree 34 of 19 May 2020 (converted into law No. 77 of 17 July 2020), the wealth tax cannot exceed €14,000, for taxpayers different from individuals.

The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value of such financial products held outside of the Italian territory. Taxpayers can generally deduct from the tax a tax credit equal to any wealth taxes paid in the State where the financial products are held (up to the amount of the Italian wealth tax due).

Financial assets (including the Notes) held abroad are excluded from the scope of IVAFE if they are administered by Italian financial intermediaries pursuant to an administration agreement and the items of income derived from such instruments have been subject to tax by the same intermediaries. In this case, the below mentioned stamp duty provided for by Article 13(2-ter) of the Tariff, Annex A, Part I, attached to Presidential Decree No. 642 of 26 October 1972 does apply.

Stamp duty

Pursuant to Article 13(2-ter) of the Tariff, Annex A, Part I, attached to Presidential Decree No. 642 of 26 October 1972, as subsequently amended, a proportional stamp duty applies on a yearly basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.2 per cent. on the market value or – in the lack of a market value – on the nominal value or the redemption amount of the securities held. The stamp duty cannot exceed € 14,000, for taxpayers different from individuals. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy of 29 July 2009, as subsequently amended and restated) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory.

Stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian based financial intermediary (and not directly held by the Noteholders outside Italy), in which case wealth tax (see "*Wealth Tax on Financial Products Held Abroad*") applies to Italian resident Noteholders only).

Transfer tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at rate of € 200; (ii) private deeds are subject to registration tax only in case of use (*caso d'uso*), *explicit reference* (*enunciazione*) or voluntary registration (*registrazione volontaria*).

Tax monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, ratified and converted by Law No. 227 of 4 August 1990, as amended, individuals, non-commercial partnerships, non-commercial entities and similar institutions which are resident of Italy for tax purposes and which over the fiscal year hold or are beneficial owners of investments abroad or have financial activities abroad must, in certain circumstances, disclose such investments or financial activities to tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding a € 15,000 threshold throughout the year, which *per se* do not require such disclosure). This requirement applies even if the taxpayer during the tax period has totally divested such assets. No disclosure requirements exist for investments and financial activities (including the Notes) under management or administration entrusted to Italian resident intermediaries and for contracts concluded through their intervention, provided that the cash flows and the income derived from such activities and contracts have been subject to Italian withholding or substitute tax by intermediaries themselves.

Luxembourg Taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

Non-resident holders of Notes

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the "**Relibi Law**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

The proposed European financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common EU FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. In December 2015, Estonia withdrew from the group of states willing to introduce the EU FTT (the "**Participating Member States**"). However, Estonia has since stated that it will not participate.

The proposed EU FTT has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt.

Under the current proposals, the EU FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the EU FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the EU FTT.

US. Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution"** (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments"**) to persons that fail to meet certain certification, reporting or related requirements. TIM may be a foreign financial institution for these purposes. A number of jurisdictions (including Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final U.S. Treasury regulations defining foreign passthru payments are filed with in the U.S. Federal Register. Further, Notes that are issued on or prior to the date that is six months after the date on which final U.S. Treasury regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date and/or characterised as equity for U.S. tax purposes. However, if additional Notes that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

Tax information

Each Noteholder shall provide in a timely manner any information, form, disclosure, certification or documentation ("**Tax Information"**) that the Issuer may reasonably request in writing in order to maintain appropriate records, report such information as may be required to be reported to any tax or competent authority (the "**Tax Reporting Regimes**") and provide for withholding amounts, if any, in each case relating to each Noteholder's Notes in or payments from the Issuer including, without limitation, any information requested in order to comply with:

(a) the FATCA provisions;

(b) the European Union Council Directive 2011/16/EU (the "**DAC**"), as amended;

(c) any law, rule or regulation pursuant to or implementing any of the FATCA, the DAC, or any other regime requiring the exchange of Tax Information or otherwise the Issuer deems reasonably necessary for the conduct of the Issuer's affairs.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Goldman Sachs International, as Global Coordinator and Physical Bookrunner has, pursuant to a Subscription Agreement (the "**Subscription Agreement"**) dated 6 April 2023, agreed to subscribe or procure subscribers for the Further Notes at the issue price of 100.75 per cent. of the principal amount of the Further Notes (plus 75 days' accrued interest in respect of the period from (and including) 27 January 2023 to (but excluding) the Further Notes Issue Date), in accordance with the terms and conditions contained therein. The Issuer will pay to the Physical Bookrunner the commissions set forth in the Subscription Agreement and it will also reimburse the Physical Bookrunner in respect of certain of its expenses, and has agreed to indemnify the Physical Bookrunner against certain liabilities, incurred in connection with the issue of the Further Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Further Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in certain transactions exempt from or not subject to, the registration requirements of the U.S. Securities Act. Terms used in this "*United States*" sub-section, unless otherwise specified, have the meanings given to them by Regulation S under the U.S. Securities Act.

The Further Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations promulgated thereunder.

The Physical Bookrunner has represented and agreed that it will not offer, sell or deliver the Further Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Further Notes Issue Date (the "**Resale Restriction Termination Date**") within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the U.S. Securities Act. The Physical Bookrunner has further agreed that it will send to each dealer to which it sells any Further Notes prior to the Resale Restriction Termination Date, a confirmation or other notice setting out the restrictions on offers and sales of the Further Notes within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Further Notes prior to the Resale Restriction Termination Date a confirmation or other notice setting forth the restrictions on offers and sales of the Further Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Further Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act.

United Kingdom

The Physical Bookrunner has represented, agreed and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK Financial Services and Markets Act 2000, as amended

("**FSMA**")) received by it in connection with the issue or sale of any Further Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Further Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

The Physical Bookrunner has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Further Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

The Physical Bookrunner has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Further Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client as defined point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Hong-Kong

The Physical Bookrunner has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Further Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Further Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Further Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Republic of Italy

The offering of the Further Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Further Notes may be offered, sold or delivered, nor may copies of this Information Memorandum or of any other document relating to the Further Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the "**Prospectus Regulation**") and any application provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Italian CONSOB regulations; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Further Notes or distribution of copies of these this Information Memorandum or any other document relating to the Further Notes in the Republic of Italy under (a) or (b) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

France

The Physical Bookrunner has represented and agreed that it undertakes to comply with applicable French laws and regulations in force regarding the offer, the placement or the sale of the Further Notes and the distribution in France of this Information Memorandum or any other offering material relating to the Further Notes.

Japan

The Further Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and the Physical Bookrunner has represented and agreed that it will not offer or sell any Further Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

The Physical Bookrunner has acknowledged that this Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Physical Bookrunner has represented, warranted and agreed that it has not offered or sold any Further Notes or caused the Further Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Further Notes or cause the Further Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information

Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Further Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "**SFA**") pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Further Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Further Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

The Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA), that all Further Notes issued shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and in MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

The offering of the Further Notes in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("**FinSA**") because the Further Notes have a minimum denomination of CHF 100,000 (or equivalent in another currency) or more and the Further Notes will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Information Memorandum does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Further Notes.

General

No action has been or will be taken in any jurisdiction by the Physical Bookrunner or the Issuer that would or is intended to permit a public offering of the Further Notes, or possession or distribution of any offering documents or any amendment or supplement thereto or any other offering or publicity material relating to the Further Notes, in any country or jurisdiction where action for that purpose is required.

The Physical Bookrunner has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Further Notes or possesses or distributes this Information Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Further Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor the Physical Bookrunner shall have any responsibility therefor.

None of the Issuer and the Physical Bookrunner represents that the Further Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Corporate information of the Issuer

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

LEI

The Legal Entity Identifier (LEI) of the Issuer is 549300W384M3RI3VXU42.

Authorisation

The issue of the Notes was duly authorised by a notarial resolution of the Board of Directors of the Issuer passed on 18 January 2023.

Listing and Admission to Trading

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

Deutsche Bank Luxembourg S.A.is acting solely in its capacity as listing agent for the Issuer in relation to the Further Notes and is not itself seeking admission of the Further Notes to the Official List of the Luxembourg Stock Exchange or to trading on the professional segment of its Euro MTF Market.

Foreign languages used in this Information Memorandum

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

Documents Available

For as long as the Further Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the professional segment of its Euro MTF Market, copies of the following documents will, when published, be available for inspection on the website of TIM at https://www.gruppotim.it/en.html:

(i) the constitutional documents (with an English translation thereof) of the Issuer;

(ii) the Trust Deed (which contains the forms of the Global Notes, the Notes in definitive form and the Coupons) and the Agency Agreement;

(iii) a copy of this Information Memorandum and the documents incorporated by reference herein.

Clearing and Settlement Systems

The Further Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The temporary ISIN for this issue is XS2610787835 and the temporary Common Code is 261078783, both of which will apply for so long as the Further Notes are represented by the Temporary Global Note. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210

Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

The Further Notes will be consolidated and become fungible with the Original Notes 40 days after the Further Notes Issue Date of the Further Notes (being on or about 22 May 2023), upon exchange of the interests in the Temporary Global Note for interests in the Permanent Global Note. Upon such exchange, the Further Notes will have the same ISIN and Common Code as the Original Notes, being XS2581393134 and 258139313 respectively.

Legended Notes

The Permanent Global Note, definitive Notes and the Coupons will contain the following legend: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code*".

Significant Change and Material Adverse Change

There has been no significant change in the financial performance or position of the Issuer or of the TIM Group since 31 December 2022 and there has been no material adverse change in the financial position or prospects of the Issuer or of the TIM Group since 31 December 2022.

Legal and Arbitration Proceedings

Save as disclosed in the 2022 TIM Annual Report, in the Note entitled "*Disputes And Pending Legal Actions, Other Information, Commitments And Guarantees*" on pages 204-219 incorporated by reference in this Information Memorandum, neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings during the 12 months preceding the date of this Information Memorandum which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer or the TIM Group.

Physical Bookrunner transacting with the Issuer

The Physical Bookrunner and its affiliates, including parent companies, engage and may in the future engage, in financing, in investment banking, commercial banking ((including derivatives contracts, the provision of loan facilities and consultancy services) and other related transactions with, and may perform services for the Issuer and its affiliates (including other members of the Group) in the ordinary course of business. The Physical Bookrunner and its affiliates may have positions, deal or make markets in the Notes related to derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Physical Bookrunner and its affiliates (including parent companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates or any entity related to the Notes. The Physical Bookrunner and its affiliates (including parent companies) that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk-management policies. Typically, the Physical Bookrunner and its affiliates (including parent companies) would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes. The Physical Bookrunner and its affiliates (including parent companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

As further described in the section "*Subscription and Sale and Transfer and Selling Restrictions*", the Physical Bookrunner will receive a commission.

Independent Auditors

The consolidated financial statements of TIM Group for the years ended 31 December 2022, 31 December 2021 and 31 December 2020, prepared under IFRS, were audited, without qualification and in accordance with the International Standards on Auditing (ISA Italia), by EY S.p.A. independent auditors, as stated in the English translation of their reports incorporated by reference elsewhere herein.

EY S.p.A. is registered under No. 70945 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of the Legislative Decree 27 January 2010, No. 39. EY S.p.A., which is located at Via Meravigli 12, 20123 Milan, is also a member of ASSIREVI (the Italian association of auditing firms).

Trustee's Reliance on Certificates and Reports

The Trust Deed provides that the Trustee may rely on certificates or reports from the auditors of Issuer or any other expert provided to the Trustee (whether or not addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that any such certificate or report or any engagement letter or other document entered into by the Trustee and such auditors or such other expert in connection therewith contains any limit on the liability of such auditors or such other expert.

APPENDIX 1 - OVERVIEW OF KEY OPERATING AND FINANCIAL DATA FOR THE YEAR ENDED 31 DECEMBER 2022

ALTERNATIVE PERFORMANCE MEASURES

In addition to the conventional financial performance measures established by IFRS, the TIM Group uses certain alternative performance measures in its internal presentations (business plan) and in external presentations (to analysts and investors) for the purposes of enabling a better understanding of the performance of its operations and its financial position. These indicators in fact represent a useful unit of measurement for assessing the operating performance of the Group (as a whole and at Business Unit level).

Such measures, which are presented in the periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS. As these measurements are not defined by the IFRSs, their calculation may differ from the alternative indicators published by other companies. This is why comparability between companies may be limited.

The alternative performance measures normally used are described below:

- EBITDA: this indicator is used by TIM as the financial target, in addition to the EBIT. These measures are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments [1]
+/-	Share of losses (profits) of associates and joint ventures accounted for using the equity method[2]
EBIT – Operating profit (loss)	
+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Depreciation and amortization
EBITDA – Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets	

(1) Expense/(income) from investments for TIM S.p.A..

(2) Line item in Group consolidated financial statements only.

- Organic change and impact of the non-recurring items on revenues, EBITDA and EBIT: these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation, the exchange differences and the non-recurring events and transactions. The TIM Group presents a reconciliation between the “accounting or reported” figures and the “organic excluding the non-recurring items”.
- EBITDA margin and EBIT margin: TIM believes that these margins represent useful indicator of the ability of the Group (as a whole and at Business Unit level) to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted into EBITDA and EBIT, respectively.
- Net Financial Debt: TIM believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. The TIM Group presents a table showing the amounts taken from the statements of financial position and used to calculate the Net Financial Debt of the Group.

  To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed “Net financial debt carrying amount”), the TIM Group reports a measure called “Adjusted net financial debt”, which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

  Net financial debt is calculated as follows:

+	Non-current financial liabilities
+	Current financial liabilities
+	Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale
A)	Gross financial debt
+	Non-current financial assets
+	Current financial assets
+	Financial assets relating to Discontinued operations/Non-current assets held for sale
B)	Financial assets
C=(A - B)	Net financial debt carrying amount
D)	Reversal of fair value measurement of derivatives and related financial liabilities/assets
E=(C +	Adjusted Net Financial Debt

- Equity Free Cash Flow (EFCF): this financial measure represents the free cash flow available for the remuneration of own capital, to repay debt and to cover any financial investments and payments of licenses and frequencies. In particular, the indicator highlights the change in adjusted net financial debt without considering the impacts of payment of dividends, changes in equity, acquisitions/disposals of equity investments, outlay for the purchase of licenses and frequencies, increases/decreases of finance lease liabilities payable (new lease operations, renewals and/or extensions, cancellations/early extinguishing of leases).

  The Equity Free Cash Flow measure is calculated as follows:

	Reduction/(Increase) in adjusted net financial debt from continuing operations
+/-	Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+))
-	Payment of TLC licenses and for the use of frequencies
+/-	Financial impact of acquisitions and/or disposals of investments
-	Dividend payment and Change in Equity
	Equity Free Cash Flow

- Capital expenditures (net of TLC licenses): this financial measure represents the capital expenditures made net of investments for competence relating to TLC licenses for the use of frequencies.

- Operating free cash flow (OFCF) and operating free cash flow (net of licenses): these financial measures represent the cash flow available to repay the debt (including lease payables) and cover any financial investments and, in the case of OFCF, payments of licenses and frequencies.

  Operating free cash flow and operating free cash flow (net of licenses) are calculated as follows:

	EBITDA
-	Capital expenditures on an accrual basis
+/-	Change in net operating working capital (Change in inventories, Change in trade receivables and other net receivables, Change in trade payables, Change in payables for mobile telephone licenses/spectrum, Other changes in operating receivables/payables, Change in employee benefits, Change in operating provisions and other changes)
	Operating Free Cash Flow
-	Payment of TLC licenses and for the use of frequencies
	Operating free cash flow (net of licenses)

Alternative performance measures after lease

Following the adoption of IFRS 16, the TIM Group presents the following additional alternative performance measures:

- EBITDA After Lease ("EBITDA-AL"), calculated by adjusting the Organic EBITDA, net of the non-recurring items, from the amounts connected with the accounting treatment of the lease contracts;

- Adjusted Net Financial Debt - After Lease, calculated by excluding from the adjusted net financial debt the net liabilities related to the accounting treatment of lease contracts. TIM believes that the Adjusted net financial debt After Lease represents an indicator of the ability to meet its financial obligations;

- Equity Free Cash Flow After Lease, calculated by excluding from the Equity Free Cash Flow the amounts related to lease payments. In particular, this measure is calculated as follows:

+	Equity Free Cash Flow
-	Principal share of lease payments

This measure is a useful indicator of the ability to generate Free Cash Flow.

CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

Non-current assets

- Goodwill: increase of 543 million euros, from 18,568 million euros at December 31, 2021 to 19,111 million euros at December 31, 2022, mainly due to the posting of Goodwill following the acquisition by the Brazil cash generating unit of part of the mobile business of Oil Movél S.A. (Oi Group) for 502 million euros (2,636 million reais converted at the real/euro exchange rate of 5.25403). In addition, in the Domestic cash generating unit, an increase is recorded of 10 million euros connected with the acquisition of control over the companies Staer Sistemi S.r.l., Mindicity S.r.l. and Movenda S.p.A..

  In 2022, the exchange difference was positive for 31 million euros and relates to the goodwill attributed to the Brazil Cash Generating Unit[1].

  Further details are provided in the Notes "Business combinations" and "Goodwill" to the Consolidated Financial Statements at December 31, 2022 of the TIM Group.

- Intangible assets with a finite useful life: these increased by 509 million euros, from 7,147 million euros at the end of 2021 to 7,656 million euros at December 31, 2022, representing the balance of:
  - capex (+ 1,128 million euros);
  - amortization charge for the year (-1,517 million euros);
  - other disposals, exchange differences and other changes (for a net positive balance of 898 million euros). Exchange gains are recorded for 175 million euros mainly in relation to the Brazil Business Unit; other changes refer mainly to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. acquired by the TIM Group in April 2022 (685 million euros).
- Tangible assets: these increased by 789 million euros, from 13,311 million euros at the end of 2021 to 14,100 million euros at December 31, 2022, representing the balance of:
  - capex (+2,828 million euros);
  - depreciation charge for the year (-2,348 million euros);
  - other disposals, exchange differences and other changes (for a net positive balance of 309 million euros). Exchange gains are recorded for 228 million euros in relation to the Brazil Business Unit; other changes refer mainly to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. (112 million euros).
- Rights of use assets: these increased by 641 million euros, from 4,847 million euros at the end of 2021 to 5,488 million euros at December 31, 2022, representing the balance of:
  - investments (+121 million euros) and increases in lease contracts (+832 million euros);
  - amortization charge for the year (-912 million euros);
  - disposals, exchange differences and other changes (for a net positive balance of 600 million euros). Exchange gains are recorded for 143 million euros and mainly relate to the Brazil Business Unit; other changes refer mainly to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. (558 million euros) and changes connected with the lesser value of the rights of use recorded as a result of contractual changes during the year.
- Other non-current assets: came to 5,440 million euros and reduced compared with December 31, 2021 by 5,804 million euros, mainly due to:
  - the sale of the indirect investment held in INWIT following the sale, by TIM S.p.A., of a 41% share in the share capital of the holding company Daphne 3 S.p.A., which in turn holds a 30.2% share in INWIT;
  - the reversal, by TIM S.p.A., of Deferred tax assets in respect of the exercise of the option to revoke realignment of goodwill.

Consolidated equity

Consolidated equity amounted to 18,725 million euros (22,039 million euros at December 31, 2021), of which 15,061 million euros attributable to Owners of the Parent (17,414 million euros at December 31, 2021) and 3,664 million euros attributable to non-controlling interests (4,625 million euros at December 31, 2021). In greater detail, the changes in consolidated equity were the following:

[1] The spot exchange rate used for the translation into euro of the Brazilian real (expressed in terms of units of local currency per 1 euro) was 5.56520 at December 31, 2022 and 6.32047 at December 31, 2021.

(million euros)	12/31/2022	12/31/2021
At the beginning of the year	22,039	28,840
Total comprehensive income (loss) for the year	(1,912)	(8,110)
Dividends approved by:	(86)	(373)
TIM S.p.A.	—	*(318)*
Other Group companies	*(86)*	*(55)*
Daphne 3 - deconsolidation	(1,332)	—
FiberCop - capital increase	—	1,750
Daphne 3 - distribution of additional paid-in capital	—	(42)
Equity instruments	6	33
Other changes	10	(59)
At the end of the year	18,725	22,039

Cash flows

Adjusted net financial debt at December 31, 2022 was equal to 25,364 million euros (22,187 million euros as of December 31, 2021).

The Group's operating free cash flow for 2022 showed absorption of 625 million euros: operating cash generation, positive for 1,617 million euros, is counterbalanced by the payment made in September 2022 of the last tranche of the right to use 5G frequencies in Italy (1,738 million euros) as well as other payments for the acquisition of rights of use of telecommunication service frequencies in Brazil and Italy for a total of 504 million euros. In 2021, operating free cash flow was positive for 1,444 million euros (+1,879 million euros operating cash generation against 435 million euros for the acquisition of rights of use of telecommunication service frequencies).

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

Change in adjusted net financial debt

(million euros)	2022 (a)	2021 (b)	Change (a-b)
EBITDA	5,347	5,080	267
Capital expenditures on an accrual basis	(4,077)	(4,630)	553
Change in net operating working capital:	(1,736)	733	(2,469)
Change in inventories	*(35)*	*(39)*	*4*
Change in trade receivables and other net receivables	*(81)*	*257*	*(338)*
Change in trade payables	*398*	*584*	*(186)*
Change in payables for mobile telephone licenses/spectrum	*(2,144)*	*369*	*(2,513)*
Other changes in operating receivables/payables	*126*	*(438)*	*564*
Change in employee benefits	156	(83)	239
Change in operating provisions and Other changes	(315)	344	(659)
Net operating free cash flow	(625)	1,444	(2,069)
% of Revenues	*(4.0)*	*9.4*	*(13.4) pp*
Sale of investments and other disposals flow	1,341	1,935	(594)
Share capital increases/reimbursements, including incidental expenses	2	(42)	44
Financial investments	(1,905)	(102)	(1,803)
Dividends payment	(68)	(368)	300
Increases in lease contracts	(832)	(667)	(165)
Finance expenses, income taxes and other net non-operating requirements flow	(1,090)	(1,061)	(29)
Reduction/(Increase) in adjusted net financial debt from continuing operations	(3,177)	1,139	(4,316)
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	—	—	—
Reduction/(Increase) in adjusted net financial debt	(3,177)	1,139	(4,316)

The Equity Free Cash Flow for 2022 amounted to 624 million euros (632 million euros in 2021). This financial measure represents the free cash flow available for the remuneration of own capital, to repay debt and to cover any financial investments and payments of licenses and frequencies.

The Equity Free Cash Flow is calculated as follows:

(million euros)	2022	2021	Change
Reduction/(Increase) in adjusted net financial debt from continuing operations	(3,177)	1,139	(4,316)
Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+))	827	452	375
Payment of TLC licenses and for the use of frequencies	2,242	435	1,807
Financial impact of acquisitions and/or disposals of investments	666	(1,804)	2,470
Dividend payment and Change in Equity	66	410	(344)
Equity Free Cash Flow	624	632	(8)

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

Capital expenditures and for mobile telephone licenses/spectrum

Capital expenditures and expenses for mobile telephone licenses/spectrum for 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).

Change in net operating working capital

In 2022, net operating working capital showed a reduction of 1,736 million euros (+733 million euros in 2021), mainly due to the change in trade payables and for mobile telephone licenses/spectrum (-2,144 million euros), only partly offset by the increase in trade payables (+398 million euros) and other operating receivables/payables (+126 million euros).

Sale of investments and other disposals flow

In 2022, it was positive for 1,341 million euros and was connected mainly to the sale by TIM S.p.A. to a consortium of investors led by Ardian, of 41% of the capital of the holding company Daphne 3, which holds a 30.2% share in Infrastrutture Wireless Italiane ("INWIT"). Further details are provided in the Note on "Investments" in the TIM Group Consolidated Financial Statements at December 31, 2022.

In 2021, it was positive for 1,935 million euros, and mainly comprised the collection consequent to the sale of 37.5% of FiberCop S.p.A. (1,759 million euros) and the collection consequent to the sale of 51% of I-Systems (172 million euros).

Change in employee benefits

In 2022, employee benefits increased by a total of 156 million euros, mainly related to the effect of provision net of uses connected to managerial and non-managerial staff, also in accordance with the application of Art. 4 of Italian Law no. 92 of June 28, 2012 and the former Art. 41, subsection 5bis, Italian Legislative Decree no. 148/2015, as per agreements signed during the year with the trade unions and referring entirely to the Italian companies of the Domestic Business Unit.

Financial investments

In 2022, the item came to 1,905 million euros and mainly included the impacts deriving from the acquisition of 100% of the share capital of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A., the company corresponding to the part of the assets, rights and obligations of Oi Móvel - Em Recuperação Judicial, purchased by the TIM Group.

Increases in lease contracts

In 2022, the item came to 832 million euros (667 million euros in 2021) and includes the greater value of rights of use entered following new passive lease contracts, increases in lease charges and the renegotiation of existing lease contracts.

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

In 2022, the flow has a negative balance for a total of 1,090 million euros (negative for 1,061 million euros in 2021). It mainly includes outflows relating to financial management components, as well as the payment of income tax expense and changes in non-operating payables and receivables.

Sales of receivables to factoring companies

It should be noted that sales without recourse of trade receivables to factoring companies completed during 2022 resulted in a positive effect on the adjusted net financial debt at December 31, 2022 amounting to 1,155 million euros (1,536 million euros at December 31, 2021).

Net financial debt

Net financial debt is composed as follows:

(million euros)	12/31/2022 (a)	12/31/2021 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	15,259	17,383	(2,124)
Amounts due to banks, other financial payables and liabilities	6,480	6,054	426
Non-current financial liabilities for lease contracts	4,597	4,064	533
	26,336	27,501	(1,165)
Current financial liabilities (*)			
Bonds	2,799	3,512	(713)
Amounts due to banks, other financial payables and liabilities	2,240	2,433	(193)
Current financial liabilities for lease contracts	870	651	219
	5,909	6,596	(687)
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—	—
Total Gross financial debt	32,245	34,097	(1,852)
Non-current financial assets			
Securities other than investments	—	—	—
Non-current financial receivables arising from lease contracts	(49)	(45)	(4)
Financial receivables and other non-current financial assets	(1,602)	(2,285)	683
	(1,651)	(2,330)	679
Current financial assets			
Securities other than investments	(1,446)	(2,249)	803
Current financial receivables arising from lease contracts	(69)	(56)	(13)
Financial receivables and other current financial assets	(154)	(142)	(12)
Cash and cash equivalents	(3,555)	(6,904)	3,349
	(5,224)	(9,351)	4,127
Financial assets relating to Discontinued operations/Non-current assets held for sale	—	—	—
Total financial assets	(6,875)	(11,681)	4,806
Net financial debt carrying amount	25,370	22,416	2,954
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(6)*	*(229)*	*223*
Adjusted Net Financial Debt	25,364	22,187	3,177
Breakdown as follows:			
Total adjusted gross financial debt	31,682	32,564	(882)
Total adjusted financial assets	(6,318)	(10,377)	4,059
(*) of which current portion of medium/long-term debt:			
Bonds	*2,799*	*3,512*	*(713)*
Amounts due to banks, other financial payables and liabilities	*1,139*	*898*	*241*
Current financial liabilities for lease contracts	*856*	*648*	*208*

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

In addition, to determine its exposure to interest rates, the Group sets an optimum composition for the fixed-rate and variable-rate debt structure and uses derivative financial instruments to achieve that composition. In consideration of the Group's operating activities, the optimum combination of medium/long-term non-current financial liabilities has been identified, on the basis of the nominal value, in the 65%-85% range for the fixed-rate component and in the 15%-35% range for the variable-rate component.

In managing market risks, the Group has adopted Guidelines for the "Management and control of financial risk" and mainly uses IRS and CCIRS derivative financial instruments.

To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed "Net financial debt carrying amount"), the TIM Group reports a measure called "Adjusted net financial debt", which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

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

Adjusted net financial debt 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 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
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(6)*	*(229)*	*223*
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

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).

Gross financial debt

Bonds

Bonds at December 31, 2022 totaled 18,058 million euros (20,895 million euros at December 31, 2021). Repayments totaled a nominal 17,552 million euros (20,338 million euros at December 31, 2021).

The change in bonds during 2022 was as follows:

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

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

On January 20, 2023, TIM issued a 5-year Bond for an amount of 850 million euros, coupon 6.875%.

Revolving Credit Facility and Term Loan

The following table shows committed credit lines(*) available at December 31, 2022:

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

(*) In accordance with the contract signed, the Banks have committed to make the funds available on demand (with at least 3 days' notice). As this is a "Committed" line, the banks have no mechanisms in place not to honor the request for funds made by the Company, without prejudice to the market standard early mandatory cancellation clauses (Natural contract expiry, Change in control, Borrower illegality, Events of default).

On July 6, 2022, TIM stipulated a new loan with a pool of leading international banks, which benefits from the "Italy Guarantee" (in accordance with art. 1, subsection 1 of Decree-Law no. 23 of April 8, 2020 as subsequently amended and supplemented) for an amount of 2 billion euros.

Maturities of financial liabilities and average cost of debt

The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities due within 12 months) was 6.51 years.

The average cost of the Group's debt, considered as the cost for the year calculated on an annual basis and resulting from the ratio of debt-related expenses to average exposure, stood at approximately 4.4%, while the average cost of the Group's debt "After Lease" was equal to approximately 3.9%.

Current financial assets and liquidity margin

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 April 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.

In particular:

Cash and cash equivalents amounted to 3,555 million euros (6,904 million euros at December 31, 2021). The different technical forms of investing available cash can be analyzed as follows:

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

Current securities other than investments amounted to 1,446 million euros (2,249 million euros at December 31, 2021): These forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They included a total of 368 million euros of treasury bonds held by Telecom Italia Finance S.A., 672 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash, and 406 million euros of investments in monetary funds by the Brazil Business Unit. The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in "Sovereign debt securities", have been made in accordance with the Guidelines for the "Management and control of financial risk" adopted by the TIM Group.

In the 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)
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(6)*	*5*	*(11)*
Adjusted Net Financial Debt	25,364	25,504	(140)
Breakdown as follows:			
Total adjusted gross financial debt	31,682	32,671	(989)
Total adjusted financial assets	(6,318)	(7,167)	849

Consolidated operating performance

Revenues

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 changes[2] (+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).

EBITDA

TIM Group EBITDA for the year 2022 came to 5,347 million euros (5,080 million euros in the year 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)*	*(3.6)*
Brazil	1,839	34.4	1,362	26.8	477	35.0	16.4
% of Revenues	*46.4*		*48.0*			*(1.6)*	*(1.2)*
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)

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%).

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).

For further details, in addition to that reported in the "Non-recurring events" chapter of this report on operations, see the Note "Significant non-recurring events and transactions" in the Consolidated Financial Statements as at December 31, 2022 of the TIM Group.

[2] 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.

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).

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

- Acquisition of goods and services (7,239 million euros; 6,550 million euros in 2021):

(million euros)	2022	2021	Change
Acquisition of goods	1,164	1,266	(102)
Revenues due to other TLC operators and costs for telecommunications network access services	1,335	1,383	(48)
Commercial and advertising costs	1,498	1,186	312
Professional and consulting services	311	253	58
Power, maintenance and outsourced services	1,431	1,103	328
Lease and rental costs	798	603	195
Other	702	756	(54)
Total acquisition of goods and services	7,239	6,550	689
% of Revenues	*45.9*	*42.8*	*3.1pp*

The increase mainly refers to the Brazil Business Unit (+525 million euros, including an exchange gain of 175 million euros) and the Domestic Business Unit (+163 million euros).

- Employee benefits expenses (3,180 million euros; 2,941 million euros in 2021):

(million euros)	2022	2021	Change
Employee benefits expenses - Italy	2,842	2,679	163
Ordinary employee expenses and costs	2,272	2,312	(40)
Restructuring and other expenses	570	367	203
Employee benefits expenses – Outside Italy	338	262	76
Ordinary employee expenses and costs	336	262	74
Restructuring and other expenses	2	—	2
Total employee benefits expenses	3,180	2,941	239
% of Revenues	*20.1*	*19.2*	*0.9pp*

The increase of 239 million euros was mainly driven by:

- the increase of 203 million euros in the item "Restructuring and other costs" of the Italian component, linked to the provision made in the year 2022 of expenses for a total of 570 million euros, mainly linked to outgoing managerial and non-managerial staff, envisaged according to the application of art. 4 of Law no. 92 of June 28, 2012 and former art. 41, subsection 5bis of Italian Legislative Decree no. 148/2015, as per the agreements signed, during the financial year, with the trade unions, by the Parent Company TIM S.p.A., by Telecom Italia Sparkle, by Telecontact, by Noovle, by Olivetti, by Telecom Italia Trust Technologies and by Telsy.

In 2021, "Corporate restructuring expenses and other costs" were 367 million euros;

- the greater cost of 76 million euros in the foreign component mainly related to the impact of the exchange rate change and the local salary dynamics of the Brazil Business Unit;
- the reduction of 40 million euros of the Italian component of ordinary employee expenses, mainly due to the savings consequent to the reduction in the average salaried workforce, amounting to an average total of -1,960 employees, of whom an average of -1,598 deriving from the application of the Expansion Contract, which entails a reduction in working hours of staff on the workforce;

- Other income (213 million euros; 272 million euros in 2021):

(million euros)	2022	2021	Change
Late payment fees charged for telephone services	39	39	—
Recovery of employee benefit expenses, purchases and services rendered	13	12	1
Capital and operating grants	38	28	10
Damages, penalties and recoveries connected with litigation	37	27	10
Estimate revisions and other adjustments	68	71	(3)
Special training income	1	67	(66)
Other	17	28	(11)
Total	213	272	(59)

- Other operating expenses (816 million euros; 1,502 million euros in 2021):

(million euros)	2022	2021	Change
Write-downs and expenses in connection with credit management	236	305	(69)
Provision charges	129	704	(575)
TLC operating fees and charges	243	189	54
Indirect duties and taxes	104	99	5
Penalties, settlement compensation and administrative fines	25	127	(102)
Subscription dues and fees, donations, scholarships and traineeships	13	12	1
Other	66	66	—
Total	816	1,502	(686)

The reduction is mainly attributable to the Domestic Business Unit (-767 million euros), partly offset by the increase in costs relating to the Brazil Business Unit (+85 million euros, including a positive exchange effect for 48 million euros).

The non-recurring items of 2022 amounted to 77 million euros, mainly due to provisions for disputes, transactions, regulatory sanctions and related potential liabilities. It includes, in particular, a provision made by TIM S.p.A. of 41 million euros for onerous contracts relating to a multi-year agreement concluded in 2021 which committed the Company to minimum purchases and the total estimated cost of which for the residual duration of the agreement became apparent in 2022.

In 2021, the non-recurring items amounted to 735 million euros and mainly referred to provisions made for disputes, transactions, regulatory sanctions and related potential liabilities as well as expenses connected with the COVID-19 emergency for provisions made as a consequence of the worsening of the expected credit losses of Corporate customers, connected with the expected evolution of the pandemic. Provision charges included 548 million euros for the posting of a Contractual Risk Provision for Onerous Contracts (IAS 37) relating to certain contracts for the offer of multimedia content connected with the partnerships currently in place.

For more details, refer to the chapter on "Complex contracts" in this Report on Operations and the Note "Provisions for risks and charges" of the TIM Group Consolidated Financial Statements at December 31, 2022.

Depreciation and amortization

In 2022 the item amounts to 4,777 million euros (4,490 million euros in 2021) and breaks down as follows:

(million euros)	2022	2021	Change
Amortization of intangible assets with a finite useful life	1,517	1,511	6
Depreciation of tangible assets	2,348	2,284	64
Amortization of rights of use assets	912	695	217
Total	4,777	4,490	287

Net impairment losses on non-current assets

Net impairment losses on non-current assets were null in 2022, instead coming to 4,120 million euros in FY 2021.

In detail, in accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment on an annual basis, when preparing the company's separate and consolidated financial statements.

In preparing the Annual Report for 2022, the TIM Group carried out an impairment test on goodwill. The results of that testing, carried out in accordance with the specific procedure adopted by the Group, confirmed the amounts of Goodwill allocated to the Group's individual Cash Generating Units.

Net impairment losses on non-current assets for the year 2021 amounted to 4,120 million euros and related to the Goodwill impairment loss attributed to the Domestic Cash Generating Unit.

Further details are provided in the Note "Goodwill" to the Consolidated Financial Statements at December 31, 2022 of the TIM Group.

EBIT

TIM Group EBIT for 2022 came to 606 million euros (-3,529 million euros in 2021).

Organic EBIT, net of the non-recurring items, amounted to 1,288 million euros (1,816 million euros in 2021), with an EBIT margin of 8.2% (11.5% in 2021).

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

(million euros)	2022	2021	Changes	
			absolute	%
EBIT	606	(3,529)	4,135	—
Foreign currency financial statements translation effect		81	(81)	
Non-recurring expenses (income)	682	5,263	(4,581)	
Effect of translating non-recurring expenses (income) in currency		1	(1)	
ORGANIC EBIT - excluding non-recurring items	1,288	1,816	(528)	(29.1)

The EBIT of the fourth quarter of 2022 totaled 168 million euros (-4,469 million euros in the fourth quarter of 2021).

Organic EBIT net of the non-recurring items in the fourth quarter of 2022 totaled 256 million euros (330 million euros in the fourth quarter of 2021).

Other income (expenses) from investments

Other income (expenses) from investments came to 206 million euros (126 million euros in 2021) and are mainly as follows:

- net capital gain of 171 million euros connected with the August 2022 sale of 41% of the share capital of the holding company Daphne 3, which holds a 30.2% share in Infrastrutture Wireless Italiane - INWIT;
- net capital gain of 33 million euros connected with the October 2022 sale of the equity investment in Satispay.

Finance income (expenses), net

Finance income (expenses) showed a net expense of 1,423 million euros (negative for 1,150 million euros in 2021). The increase is due to the increased debt exposure of the IFRS 16 lease component in Brazil following the acquisition of Oi and, to a lesser extent, to the dynamic of interest rates in Europe. This dynamic of interest rates has also influenced the performance of the mark-to-market of hedging derivatives (in any case this is a change in currency and accounting non-monetary items).

Income tax expense

In 2022, income tax expense was recorded for 2,066 million euros (3,885 million euros in 2021) and mainly reflects the impact deriving from the exercise of the revocation option of the realignment of goodwill, resolved by TIM's Board of Directors on November 9, 2022, as permitted by the Italian government Budget Law for financial year 2022 and as detailed in the Provision of the Revenue Agency Manager, published on September 29, 2022.

More specifically - having acknowledged publication of such Measure governing the terms, conditions and operating procedures for revocation - the Company assessed economic-financial advantageousness and considered it a priority to strengthen the industrial investments to be made to support the various business areas, an alternative to the financial commitment connected with the payment of substitute tax on the realignment.

Therefore, as there was no longer any basis for entering Deferred tax assets, they have been written-off entirely for a net amount of 1,964 million euros as follows:

- expense of -2,656 million euros for the write-off of deferred tax assets of TIM S.p.A.:
  - in the TIM S.p.A. statements as at December 31, 2020, the amount of 6,569 million euros had been entered for deferred tax assets in respect of a tax recognition of higher values entered in the financial statements pursuant to Decree Law 104/2020, art. 110, subsections 8 and 8 bis, which enabled the deductibility over 18 years, starting 2021, of the tax amortization of the realigned value, in respect of substitute tax in the amount of 3% of the realigned value (692 million euros), to be paid in 3 annual installments of equal amount;

- in the financial statements at December 31, 2021, a partial write-down had been entered for an amount of -3,913 million euros, connected with the extension to 50 years of the period of tax asset absorption introduced by Art. 160 of the 2022 Budget Law (Law 234/2021) and the changed assessment of the time frame for recoverability of deferred tax assets of TIM S.p.A.;

- income of 692 million euros for the reversal of substitute tax that had been allocated for the realignment; in detail, entry of a receivable of 231 million euros related to the first installment, paid on June 30, 2021 and reversal of a payable of 461 million euros for the second and third installments, which will not be paid following revocation of the realignment. The first installment, as envisaged by the Measure, has been recovered financially, offsetting it against tax payments made using the "F24" return, which the Company filed in December 2022, following filing of the supplementary declaration formalizing revocation of the realignment.

Profit (loss) for the year

This item breaks down as follows:

(million euros)	2022	2021
Profit (loss) for the year	(2,654)	(8,400)
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	(2,925)	(8,652)
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to owners of the Parent	(2,925)	(8,652)
Non-controlling interests:		
Profit (loss) from continuing operations	271	252
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to Non-controlling interests	271	252

The Net loss attributable to Owners of the Parent for 2022, was 2,925 million euros (-8,652 million euros in 2021), suffering the negative impact of net non-recurring expenses for 2,431 million euros (8,692 million euros in 2021).

For more details on non-recurring items, see the Note "Non-recurring events and transactions" in the Consolidated Financial Statements as at December 31, 2022 of the TIM Group.

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

Domestic

(million euros)	2022	2021	Changes		
	(a)	(b)	absolute	%	% organic excluding non-
Revenues	11,858	12,505	(647)	(5.2)	(5.5)
EBITDA	3,519	3,730	(211)	(5.7)	(14.3)
% of Revenues	*29.7*	*29.8*		*(0.1)pp*	*(3.6)pp*
EBIT	24	(3,990)	4,014	—	(46.5)
% of Revenues	*0.2*	*(31.9)*		*32.1pp*	*(4.4)pp*
Headcount at year end (number) (°)	40,984	42,591	(1,607)	(3.8)	

(°) Includes 15 agency contract workers at December 31, 2022 (16 at December 31, 2021).

(million euros)	4th Quarter 2022	4th Quarter 2021	Changes		
	(a)	(b)	absolute	%	% organic excluding non-
Revenues	3,185	3,224	(39)	(1.2)	(1.6)
EBITDA	878	351	527	—	(4.2)
% of Revenues	*27.6*	*10.9*		*16.7pp*	*(0.8)pp*
EBIT	(16)	(4,621)	4,605	(99.7)	(56.1)
% of Revenues	*(0.5)*	—		*(0.5) pp*	*(2.5)pp*

(million euros)	2022
EBITDA	3,519
ORGANIC EBITDA (including use of the risk provision for onerous contracts)	4,174
- Use of the risk provision for onerous contracts to cover the negative margin	(346)
ORGANIC EBITDA (excluding use of the risk provision for onerous contracts)	3,828

Fixed

	12/31/2022	12/31/2021	12/31/2020
Total TIM Retail accesses (thousands)	8,290	8,647	8,791
of which NGN (1)	*5,417*	*5,186*	*4,432*
Total TIM Wholesale accesses (thousands)	7,525	7,729	7,974
of which NGN	*5,171*	*4,819*	*4,220*
Active Broadband accesses of TIM Retail (thousands)	7,443	7,733	7,635
Consumer ARPU (€/month) (2)	28.3	30.1	33.0
Broadband ARPU (€/month) (3)	35.6	33.4	31.3

(1) Ultrabroadband access in FTTx and FWA mode, also including "data only" lines and GBE (Gigabit Ethernet).

(2) Revenues from organic Consumer retail services in proportion to the average Consumer accesses.

(3) Revenues from organic Broadband services in proportion to the average active TIM retail Broadband accesses.

Mobile

	12/31/2022	12/31/2021	12/31/2020
Lines at period end (thousands)	30,407	30,466	30,170
of which Human	*18,438*	*19,054*	*19,795*
Churn rate (%) (4)	13.3	14.7	18.6
Broadband users (thousands) (5)	12,577	12,783	12,818
Retail ARPU (€/month) (6)	7.1	7.5	8.0
Human ARPU (€/month) (7)	11.5	11.7	12.1

(4) Percentage of total lines that ceased in the period compared to the average number of total lines.

(5) Mobile lines using data services.

(6) Revenues from organic retail services (visitors and MVNO not included) compared to the total average number of lines.

(7) Revenues from organic retail services (visitors and MVNO not included) compared to the average number of human lines.

Revenues

Domestic Business Unit revenues amounted to 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 come 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.

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

(million euros)	4th Quarter 2022	4th Quarter 2021	2022	2021	% Change			
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	organic excluding non-	organic excluding non-
Revenues	3,185	3,224	11,858	12,505	(1.2)	(5.2)	(1.6)	(5.5)
Consumer	1,183	1,286	4,736	5,263	(8.0)	(10.0)	(8.0)	(10.0)
Business	1,198	1,136	4,144	4,117	5.5	0.6	5.5	0.6
Wholesale National Market	489	508	1,948	2,107	(3.7)	(7.6)	(3.7)	(7.6)
Wholesale International Market	269	289	992	1,008	(6.9)	(1.6)	(9.4)	(4.7)
Other & Eliminations	46	5	38	10				

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 compared to previous year, -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 Telefonia 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.

- Other: includes:

  - Other Operations units: covering technological innovation and development, engineering, construction and operating processes for network infrastructures, IT, systems and properties;

  - Staff & Other: services provided by the Staff Departments and other support activities carried out by minor companies.

EBITDA

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.

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

(million euros)	2022	2021	Change
Acquisition of goods and services	5,697	5,534	163
Employee benefits expenses	2,868	2,703	165
Other operating expenses	444	1,211	(767)

In particular:

- Other income amounted to 196 million euros with a decrease of 63 million euros compared to 2021:

(million euros)	2022	2021	Change
Late payment fees charged for telephone services	26	29	(3)
Recovery of employee benefit expenses, purchases and services rendered	13	13	—
Capital and operating grants	36	26	10
Damages, penalties and recoveries connected with litigation	37	26	11
Estimate revisions and other adjustments	68	73	(5)
Income for special training activities	1	67	(66)
Other income	15	25	(10)
Total	196	259	(63)

- Acquisition of goods and services amounted to 5,697 million euros with an increase of 163 million euros compared to 2021:

(million euros)	2022	2021	Change
Acquisition of goods	994	1,154	(160)
Revenues due to other TLC operators and interconnection costs	1,175	1,258	(83)
Commercial and advertising costs	1,031	856	175
Professional and consulting services	137	162	(25)
Power, maintenance and outsourced services	1,203	943	260
Lease and rental costs	531	459	72
Other	626	702	(76)
Total acquisition of goods and services	5,697	5,534	163
% of Revenues	*48.0*	*44.3*	*3.7*

- Employee benefits expenses amounted to 2,868 million euros with an increase of 165 million euros compared to 2021. The same dynamics already described in the information given on the consolidated operating performance impacted this performance too.
- Other operating expenses amounted to 444 million euros with a decrease of 767 million euros compared to 2021:

(million euros)	2022	2021	Change
Write-downs and expenses in connection with credit management	120	219	(99)
Provision charges	106	676	(570)
TLC operating fees and charges	44	43	1
Indirect duties and taxes	86	82	4
Penalties, settlement compensation and administrative fines	25	127	(102)
Subscription dues and fees, donations, scholarships and traineeships	11	11	—
Sundry expenses	52	53	(1)
Total	444	1,211	(767)

Other operating expenses for 2022 include a non-recurring item of 78 million euros, referring mainly to disputes, transactions, expenses connected with regulatory sanctions and expenses related to agreements and the development of non-recurring projects.

Note that Write-downs and expenses in connection with credit management shows a reduction of 99 million euros compared with 2021.

The non-recurring items of 2021, amounting to 735 million euros, mainly referred to regulatory disputes and related liabilities and to liabilities with customers and/or suppliers.

EBIT

Domestic Business Unit EBIT for 2022 totaled 24 million euros (+4,014 million euros compared to 2021), with an EBIT margin of 0.2% (-31.9% in 2021).

Organic EBIT, net of the non-recurring items, amounted to 679 million euros (-589 million euros compared to 2021, -46.5%), with an EBIT margin of 5.7% (a reduction of -4.4 percentage points compared to the 10.1% of 2021).

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

(million euros)	2022	2021	Changes	
			absolute	%
EBIT	24	(3,990)	4,014	
Non-recurring expenses (Income)	655	5,257	(4,602)	
ORGANIC EBIT - excluding non-recurring items	679	1,268	(589)	(46.5)

EBIT for the fourth quarter of 2022 was negative for -16 million euros (4,621 million euros in the fourth quarter of 2021).

Brazil

	(million euros)		(million Brazilian reais)		Changes		
	2022	2021	2022	2021	absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	3,963	2,840	21,531	18,058	3,473	19.2	19.2
EBITDA	1,839	1,362	9,993	8,661	1,332	15.4	16.4
% of Revenues	*46.4*	*48.0*	*46.4*	*48.0*		*(1.6) pp*	*(1.2) pp*
EBIT	593	473	3,236	3,010	226	7.5	10.4
% of Revenues	*15.0*	*16.7*	*15.0*	*16.7*		*(1.7) pp*	*(1.3) pp*
Headcount at year end (number)			9,395	9,325	70	0.8	

The average exchange rates used for the translation into euro (expressed in terms of units of Real per 1 euro) were 5.43993 for 2022 and 6.35936 for 2021.

	(million euros)		(million Brazilian reais)		Changes		
	4th Quarter 2022	4th Quarter 2021	4th Quarter 2022	4th Quarter 2021	absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	1,083	761	5,825	4,799	1,026	21.4	21.4
EBITDA	524	385	2,824	2,429	395	16.3	16.9
% of Revenues	*48.5*	*50.6*	*48.5*	*50.6*		*(2.1) pp*	*(1.9)pp*
EBIT	184	158	994	999	(5)	(0.5)	1.4
% of Revenues	*17.1*	*20.8*	*17.1*	*20.8*		*(3.7) pp*	*(3.5) pp*

	2022	2021
Lines at period end (thousands) (*)	62,485	52,066
Mobile ARPU (reais)	26.1	26.4

(*) Includes corporate lines.

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

Acquisition of the Oi Group mobile business

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

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

In September 2022, TIM S.A. and the other buyers of the Oi Móvel mobile telephone assets had identified differences in the assumptions and calculation criteria that, under the terms of the Share Purchase Agreement and Other Covenants (“SPA”), justify a proposal to change the Adjusted Closing Price (“ACP”) by TIM S.A. of approximately 1.4 billion reais. In addition to differences relating to the Adjusted Closing Price, others have also been identified relating to the contracts of Cozani (the company into which the business unit corresponding to TIM S.A.’s share of the assets, rights and obligations of the Oi Móvel mobile telephone business, flowed) with companies supplying mobile infrastructure services (site/tower rental), which, under the terms of the SPA, give rise to indemnity by the Seller in TIM S.A.’s favor, of approximately 231 million reais. As a result of the differences found, TIM S.A. retained an amount of 634 million reais (671 million reais at December 31, 2022).

In October 2022, considering the Seller’s express violation of the dispute resolution mechanisms provided for in the SPA, TIM S.A. communicated that the Buyers had no other alternative but to file an arbitration procedure with the Market Arbitration Chamber (Câmara de Arbitragem do Mercado) of B3 S.A. - Brasil, Bolsa, Balcão against the Seller to determine the effective amount of the adjustment to the Adjusted Closing Price, in accordance with the SPA.

Additionally, in October 2022, the 7th Business Court of the Judicial District of Rio de Janeiro handed down a preliminary decision, determining the deposit in court by the Buyers of approximately 1.53 billion reais – of which approximately 670 million reais by TIM S.A. – in an account linked to the court-ordered reorganization process of Oi, where it will be safeguarded until a later decision by the arbitration court.

Further details are provided in the Note “Disputes and pending legal actions, other information, commitments and guarantees” to the Consolidated Financial Statements at December 31, 2022 of the TIM Group.

Revenues

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

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).

The changes in the main cost items are shown below:

	(million euros)		(million Brazilian reais)		
	2022 (a)	2021 (b)	2022 (c)	2021 (d)	Change (c-d)
Acquisition of goods and services	1,562	1,037	8,490	6,592	1,898
Employee benefits expenses	311	237	1,690	1,506	184
Other operating expenses	367	282	1,992	1,798	194
Change in inventories	(6)	7	(34)	44	(78)

EBIT

EBIT for 2022 was 3,236 million reais (3,010 million reais in 2021 +7.5%).

Organic EBIT, net of the non-recurring items, in 2022 amounted to 3,364 million reais (3,046 million reais in 2021), with a margin on revenues of 15.6% (16.9% in 2021).

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

(million Brazilian reais)	2022	2021	Changes absolute	%
EBIT	3,236	3,010	226	7.5
Non-recurring expenses (income)	128	36	92	
ORGANIC EBIT - excluding non-recurring items	3,364	3,046	318	10.4

The EBIT of the fourth quarter of 2022 totaled 994 million reais (999 million reais in the fourth quarter of 2021).

Net of non-recurring charges, the margin on revenues for the fourth quarter of 2022 was 17.6% (21.1% in the fourth quarter of 2021).

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 S.p.A. holds 45% of the Joint Venture's share capital (measured for the purposes of the consolidated financial statements using the equity method).

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;
- *Staer 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 established on December 1, 2021; the company's corporate purpose is the management of equity investments, study and research activities, commercial, industrial, financial movable and real estate activities.

Financial year ended 31 December 2021

- **Alternative Performance Measures**

In the report on operations, in the TIM Group Consolidated Financial Statements and in the Separate Financial Statements of the Parent, TIM, for the year ended 31 December 2021, in addition to the conventional financial performance measures established by IFRS, the TIM Group also presents certain alternative performance measures for a better understanding of its performance of operations and financial position. Such measures, which are presented in the periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS.

Specifically, following the adoption of IFRS 16, the TIM Group presents the following alternative performance measures:

- EBITDA adjusted After Lease ("EBITDA-AL"), calculated by adjusting the Organic EBITDA, net of the non-recurring items, from the amounts connected with the accounting treatment of the lease contracts according to IFRS 16. This financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the TIM Group (as a whole and at the Business Unit level) and of the Parent, TIM, in addition to EBIT;

- Adjusted net financial debt After Lease, calculated by excluding from the adjusted net financial debt the net liabilities related to the accounting treatment of lease contracts according to IFRS 16. TIM believes that the Adjusted net financial debt After Lease represents an indicator of the ability to meet its financial obligations;

- Equity Free Cash Flow After Lease, calculated by excluding from the Equity Free Cash Flow the amounts related to lease payments. In particular, this measure is calculated as follows:

+ Equity Free Cash Flow
- Principal share of lease payments

This financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors) and is a useful indicator of the ability to generate Free Cash Flow.

The other alternative performance measures used are described below:

- EBITDA: this financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for assessing the operating performance of the TIM Group (as a whole and at Business Unit level) and of the Parent, TIM, in addition to EBIT. These measures are calculated as follows:

Profit (loss) before tax from continuing operations
+ Finance expenses
- Finance income
+/- Other expenses (Income) from investments(1)
+/- Share of losses (profits) of associates and joint ventures accounted for using the equity method(2)
EBIT – Operating profit (loss)
+/- Impairment losses (reversals) on non-current assets
+/- Losses (gains) on disposals of non-current assets
+ Depreciation and amortization
EBITDA – Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets

(1) Expense/(income) from investments for TIM S.p.A..

(2) Line item in Group consolidated financial statements only.

- Organic change and impact of the non-recurring items on revenues, EBITDA and EBIT: these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation, the exchange differences and the non-recurring events and transactions. TIM believes that this method of presentation provides a more complete and effective interpretation of the TIM Group's operating performance (as a whole and with reference to the Business Units) and of the Parent; it is therefore also used in the presentations to analysts and investors. This Report on Operations provides a reconciliation between the "reported figure" and the "organic excluding the non-recurring items" figure.

- EBITDA margin and EBIT margin: TIM believes that these margins represent useful indicator of the ability of the TIM Group as a whole and at Business Unit level, and of the Parent to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted into EBITDA and EBIT, respectively. Such indicators are used by TIM in internal presentations (business plans) and in external presentations (to analysts and investors) in order to illustrate the results from operations also through the comparison of the operating results of the financial year being reported with those of the previous years.

- Net Financial Debt: TIM believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. The Report on Operations includes two tables showing the amounts taken from the statements of financial position and used to calculate the Net Financial Debt of the TIM Group and TIM.

To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed "Net financial debt carrying amount"), the TIM Group reports a measure called "Adjusted net financial debt", which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

Net financial debt is calculated as follows:

+	Non-current financial liabilities
+	Current financial liabilities
+	Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale
A)	Gross financial debt
+	Non-current financial assets
+	Current financial assets
+	Financial assets relating to Discontinued operations/Non-current assets held for sale
B)	Financial assets
C=(A - B)	Net financial debt carrying amount
D)	Reversal of fair value measurement of derivatives and related financial liabilities/assets
E=(C + D)	Adjusted net financial debt

- Equity Free Cash Flow (EFCF): this financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors); it represents the free cash flow available for the remuneration of own capital, to repay debt and to cover any financial investments and payments of licenses and frequencies. In particular, the indicator highlights the change in adjusted net financial debt without considering the impacts of payment of dividends, changes in equity, acquisitions/disposals of equity investments, outlay for the purchase of licenses and frequencies, increases/decreases of finance lease liabilities payable (new lease operations, renewals and/or extensions, cancellations/early extinguishing of leases).

The Equity Free Cash Flow measure is calculated as follows:

	Reduction/(Increase) in adjusted net financial debt from continuing operations
+/-	Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+))
-	Payment of TLC licenses and for the use of frequencies
+/-	Financial impact of acquisitions and/or disposals of investments
-	Dividend payment and Change in Equity
	Equity Free Cash Flow

- ***Consolidated Financial Position and Cash Flow Performance***

Non-current assets

- Goodwill: this drops by 4,279 million euros, from 22,847 million euros at 31 December 2020 to 18,568 million euros at December 31, 2021, mainly due to the effect of the aforementioned impairment of Goodwill attributed to the Domestic Cash Generating Unit, equal to 4,120 million euros, due to the results of the impairment test carried out at 31 December 2021. The balance is also impacted by the reduction of part of the goodwill attributed to the Brazil cash generating unit (165 million euros) following the dilution from 100% to 49% of the equity investment in the capital of I-System S.A. (formerly FiberCo Soluções de Infraestrutura S.A.), the company established for the segregation of the network assets of the TIM Brasil Group and the related supply of infrastructure services. An increase is also recorded of 2 million euros relating to the recognition of provisional goodwill connected with the acquisition by Olivetti of 100% of Staer Sistemi S.r.l. completed in September 2021. In 2021, the exchange difference is positive for 4 million euros and relates to the goodwill attributed to the Brazil Cash Generating Unit[1].

Further details are provided in the Note "Goodwill" to the Consolidated Financial Statements at December 31, 2021 of the TIM Group.

- Intangible assets with a finite useful life: these increased by 407 million euros, from 6,740 million euros at the end of 2020 to 7,147 million euros at December 31, 2021, representing the balance of the following items:
  - capex (+ 1,886 million euros);
  - amortization charge for the year (-1,511 million euros);
  - other disposals, exchange differences and other changes (for a net positive balance of 32 million euro, of which 13 million euro of positive exchange differences essentially relating to the Brazil Business Unit).
- Tangible assets: these increased by 170 million euros, from 13,141 million euros at the end of 2020 to 13,311 million euros at December 31, 2021, representing the balance of the following items:
  - capex (+2,665 million euros);
  - depreciation charge for the year (-2,284 million euros);
  - other disposals, exchange differences and other changes (for a net negative balance of 211 million euros, including 192 million euros for the deconsolidation of the Brazilian company I-Systems S.A. and 24 million euros in exchange gains).
- Rights of use assets: these fell by 145 million euros, from 4,992 million euros at the end of 2020 to 4,847 million euros at December 31, 2021, representing the balance of the following items:
  - investments (+79 million euros) and increases in lease contracts (+667 million euros);
  - amortization charge for the year (-695 million euros);
  - disposals, exchange differences and other changes (for a net negative balance of 196 million euros). Exchange differences are positive for 15 million euros and mainly relate to the Brazil Business Unit. Other changes mainly included the lower value of the rights of use recorded as a result of contractual changes during the period.
- Other non-current assets: these come to 11,244 million euros and decline on 31 December 2020 by 3,458 million euros, mainly following the partial write-off by the Parent Company TIM of the deferred tax assets recognized in 2020 in respect of the tax recognition of higher values booked in accordance with Decree Law 104/2020, art. 110, subsections 8 and 8 bis. Further details are provided in the Note "Income tax expense (current and deferred)" to the Consolidated Financial Statements at December 31, 2021 of the TIM Group.

[1]The spot exchange rate used for the translation into euro of the Brazilian real (expressed in terms of units of local currency per 1 euro) was 6.32047 at 31 December 2021 and 6.37680 at 31 December 2020.

Consolidated equity

Consolidated equity amounted to 22,039 million euros (28,840 million euros at 31 December 2020), of which 17,414 million euros attributable to Owners of the Parent (26,215 million euros at December 31, 2020) and 4,625 million euros attributable to non-controlling interests (2,625 million euros at December 31, 2020). In greater detail, the changes in consolidated equity were the following:

(million euros)	12/31/2021	12/31/2020
At the beginning of the year	28,840	22,626
Total comprehensive income (loss) for the year	(8,110)	5,836
Dividends approved by:	(373)	(378)
TIM S.p.A.	*(318)*	*(316)*
Other Group companies	*(55)*	*(62)*
FiberCop - capital increase	1,750	—
INWIT - deconsolidation	—	*(644)*
Daphne 3 - capital increase	—	1,334
Issue of equity instruments	33	43
Daphne 3 - distribution of additional paid-in capital	(42)	—
Other changes	(59)	23
At the end of the year	22,039	28,840

Cash flows

The adjusted net financial debt amounted to 22,187 million euros, down by 1,139 million euros compared to 31 December 2020 (23,326 million euros).

The TIM Group's operating free cash flow for 2021 is positive for 1,444 million euros (3,304 million euros in 2020), i.e. 1,879 million euros (3,414 million euros in 2020), net of 435 million euros (110 million euros in 2020) related to the acquisition of rights to use telecommunication service frequencies.

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

Change in adjusted net financial debt

(million euros)	2021 (a)	2020 (b)	Changes (a-b)
EBITDA	5,080	6,739	(1,659)
Capital expenditures on an accrual basis	(4,630)	(3,409)	(1,221)
Change in net operating working capital:	733	772	(39)
Change in inventories	*(39)*	*20*	*(59)*
Change in trade receivables and other net receivables	*257*	*484*	*(227)*
Change in trade payables	*584*	*(193)*	*777*
Changes of mobile licenses acquisition payable/spectrum	*369*	*(110)*	*479*
Other changes in operating receivables/payables	*(438)*	*571*	*(1,009)*
Change in provisions for employee benefits	(83)	(628)	545
Change in operating provisions and Other changes	344	(170)	514
Net operating free cash flow	1,444	3,304	(1,860)
% of Revenues	*9.4*	*20.9*	*(11.5) pp*
Sale of investments and other disposals flow	1,935	1,294	641
Share capital increases/reimbursements, including incidental expenses	(42)	1,164	(1,206)
Financial investments	(102)	(25)	(77)
Dividends payment	(368)	(390)	22
Increases in lease contracts	(667)	(1,288)	621
Finance expenses, income taxes and other net non-operating requirements flow	(1,061)	283	(1,344)
Reduction/(Increase) in adjusted net financial debt from continuing operations	1,139	4,342	(3,203)
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	—	—	—
Reduction/(Increase) in adjusted net financial debt	1,139	4,342	(3,203)

Equity Free Cash Flow

(million euros)	2021	2020	Changes
Reduction/(Increase) in adjusted net financial debt from continuing operations	1,139	4,342	(3,203)
Impact for finance leases (new lease operations and/or renewals and/or extensions (-)/any terminations/early extinguishing of leases (+))	452	419	33
Payment of TLC licenses and for the use of frequencies	435	110	325
Financial impact of acquisitions and/or disposals of investments	(1,804)	(1,483)	(321)
Dividend payment and Change in Equity	410	(974)	1,384
Equity Free Cash Flow	632	2,414	(1,782)

In addition to what has already been described with reference to EBITDA, the change in adjusted net financial debt for 2021 was particularly impacted by the following:

Capital expenditures and for mobile telephone licenses/spectrum

Capital expenditures and expenses for mobile telephone licenses/spectrum for 2021 were 4,630 million euros (3,409 million euros in 2020).

Capex is broken down as follows by operating segment:

(million euros)	2021		2020		Change
		% weight		% weight	
Domestic	3,377	72.9	2,748	*80.6*	629
Brazil	1,253	27.1	661	*19.4*	592
Other Operations	—	—	—	—	—
Adjustments and eliminations	—	—	—	—	—
Consolidated Total	4,630	100.0	3,409	100.0	1,221
% of Revenues	*30.2*		*21.6*		*8.6pp*

In particular:

- the Domestic Business Unit records capital expenditure for 3,377 million euros, +629 million euros on 2020, an increase mainly due to the development of the FTTC/FTTH networks and payment of licenses for 240 million euros to the Italian Ministry of Economic Development (MISE) for the extension of rights of use relating to frequencies (2100 MHz);

- the Brazil Business Unit posted capital expenditures in 2021 of 1,253 million euros (661 million euros for 2020). Excluding the impact of changes in exchange rates (-49 million euros), capex grew by 641 million euros, mainly to strengthen the mobile ultrabroadband infrastructure and the development of the fixed broadband business of TIM Live. More specifically, the auction for 5G frequencies in Brazil, which closed in November 2021, saw the Brazil Business Unit committed to a total investment of 564 million euros for frequencies along with the related commercial commitments to the entities established to pursue the infrastructure projects.

Change in net operating working capital

The change in net operating working capital for 2021 reflects a positive change of 733 million euros (+772 million euros in 2020), mainly as a consequence of the change in trade payables and for mobile telephone licenses/spectrum (+953 million euros), partly offset by the negative change in other operating receivables/payables (-438 million euros).

Sale of investments and other disposals flow

This is positive for 1,935 million euros and mainly includes the collection made on the sale of 37.5% of FiberCop S.p.A. by TIM to the indirect subsidiary of KKR Global Infrastructure Investors III L.P. (1,759 million euros) and the collection consequent to the sale of 51% of I-Systems (formerly FiberCo Soluções de Infraestrutura) by TIM S.A. to IHS Fiber Brasil - Cessão de Infraestruturas Ltda. ("IHS Brasil") (172 million euros). Further details are provided in the Note on "Investments" in the TIM Group Consolidated Financial Statements at December 31, 2021.

In 2020, the flow was positive for 1,294 million euros and mainly benefited from the deconsolidation of INWIT, as well as collections deriving from sales by the TIM Group of INWIT shares totaling approximately 7.3% of the share capital.

Share capital increases/reimbursements, including incidental costs

In 2021, the flow is negative for 42 million euros and refers to the partial distribution of reserves of the subsidiary Daphne 3 - in which TIM has contributed a total of 30.2% of INWIT shares - to a shareholder outside the TIM Group.

In 2020, the flow was positive for 1,164 million euros, mainly as a consequence of the contribution made by shareholders outside the TIM Group to the share capital increases of subsidiaries. More specifically, they included the increase in capital of Daphne 3.

Increases in lease contracts

In 2021, the item came to 667 million euros (1,288 million euros in 2020) and includes the greater value of rights of use entered following new passive lease contracts, increases in lease charges and the renegotiation of existing lease contracts.

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

In 2021, the flow has a negative balance for a total of 1,061 million euros (positive for 283 million euros in 2020). It mainly includes outflows relative to financial management components, as well as the payment of income taxes and changes in non-operating payables and receivables.

Sales of receivables to factoring companies

It should be noted that sales without recourse of trade receivables to factoring companies completed during 2021 resulted in a positive effect on the adjusted net financial debt at 31 December 2021 amounting to 1,536 million euros (1,970 million euros at 31 December 2020).

Net financial debt

Net financial debt is composed as follows:

(million euros)	12/31/2021 (a)	12/31/2020 (b)	Changes (a-b)
Non-current financial liabilities			
Bonds	17,383	18,856	(1,473)
Amounts due to banks, other financial payables and liabilities	6,054	4,799	1,255
Non-current financial liabilities for lease contracts	4,064	4,199	(135)
	27,501	27,854	(353)
Current financial liabilities (*)			
Bonds	3,512	988	2,524
Amounts due to banks, other financial payables and liabilities	2,433	2,689	(256)
Current financial liabilities for lease contracts	651	631	20
	6,596	4,308	2,288
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—	—
Total Gross financial debt	34,097	32,162	1,935
Non-current financial assets			
Securities other than investments	—	—	—
Non-current financial receivables arising from lease contracts	(45)	(43)	(2)
Financial receivables and other financial assets	(2,285)	(2,267	(18)
	(2,330)	(2,310)	(20)
Current financial assets			
Securities other than investments	(2,249)	(1,092)	(1,157)
Current financial receivables arising from lease contracts	(56)	(55)	(1)
Financial receivables and other financial assets	(142)	(162)	20
Cash and cash equivalents	(6,904)	(4,829)	(2,075)
	(9,351)	(6,138)	(3,213)
Financial assets relating to Discontinued operations/Non-current assets held for sale	—	—	—
Total financial assets	(11,681)	(8,448)	(3,233)
Net financial debt carrying amount	22,416	23,714	(1,298)
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(229)*	*(388)*	*159*
Adjusted net financial debt	22,187	23,326	(1,139)
Breakdown as follows:			
Total adjusted gross financial debt	32,564	30,193	2,371
Total adjusted financial assets	(10,377	(6,867)	(3,510)
(*) of which current portion of medium/long-term debt:			
Bonds	*3,512*	*988*	*2,524*
Amounts due to banks, other financial payables and liabilities	*898*	*1,541*	*(643)*
Current financial liabilities for lease contracts	*648*	*628*	*20*

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

In addition, to determine its exposure to interest rates, the TIM Group sets an optimum composition for the fixed- rate and variable-rate debt structure and uses derivative financial instruments to achieve that composition. Taking into account the TIM Group's operating activities, the optimum mix of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, at a range of 65%–85% for the fixed-rate component and 15%–35% for the variable-rate component.

In managing market risks, the TIM Group has adopted Guidelines for the "Management and control of financial risk" and mainly uses IRS and CCIRS derivative financial instruments.

To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed "Net financial debt carrying amount"), the TIM Group reports a measure called "Adjusted net financial debt", which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

For further details, see the "Alternative performance indicators" chapter.

Adjusted net financial debt amounted to 22,187 million euros at 31 December 2021, a decrease of 1,139 million euros compared to December 31, 2020 (23,326 million euros). The reduction in debt, brought about by the generation of operating cash, the completion of the purchase by KKR Infrastructure of 37.5% of FiberCop from TIM for an equivalent value of 1,759 million euros and the sale for 172 million euros in Brazil of 51% of the company I-Systems S.A. (formerly FiberCo), owner of the secondary fiber network, has been partially limited by the payments of dividends (368 million euros), the sanction (116 million euros) connected with the Antitrust Case A514 (alleged abuse of a dominant market position on the wholesale access services market and for retail services of the broadband and ultrabroadband fixed network), substitute tax on the realigned value of assets (231 million euros), the extension of the rights of use of frequencies on the 2100 MHz bandwidth (240 million euros), the installment on the 5G license (55 million euros) and the purchase under auction of frequencies for the implementation of 5G in Brazil (140 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)	12/31/2021 (a)	12/31/2020 (b)	Changes (a-b)
Net financial debt carrying amount	22,416	23,714	(1,298)
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(229)*	*(388)*	*159*
Adjusted net financial debt	22,187	23,326	(1,139)
Leasing	*(4,614)*	*(4,732*	*118*
Adjusted net financial debt - After Lease	17,573	18,594	(1,021)

Net financial debt carrying amount amounted to 22,416 million euros at 31 December 2021, a decrease of 1,298 million euros compared to December 31, 2020 (23,714 million euros). Reversal of the fair value measurement of derivatives and related financial liabilities/assets recorded an annual change of 159 million euros, substantially following the rise in Euro interest rates, which, coupled with the final calculation of interest flows, 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 the impact of all leases), which is a parameter adopted by main European peers, was equal to 17,573 million euros at 31 December 2021, down by 1,021 million euros compared to 31 December 2020 (18,594 million euros).

Gross financial debt

Bonds

Bonds at 31 December 2021 totaled 20,895 million euros (19,844 million euros at 31 December 2020). Repayments totaled a nominal 20,338 million euros (19,249 million euros at 31 December 2020).

The change in bonds during 2021 was as follows:

(millions of original currency)	Currency	Amount	Issue date
New issues			
Telecom Italia S.p.A. 1,000 million euros 1.625%	Euro	1,000	1/18/2021
TIM S.A. 1,600 million BRL IPCA+4.1682%	BRL	1,600	6/15/2021

On 18 January 2021, TIM issued its first 8-year Sustainability Bond for an amount of 1 billion euros, coupon 1.625%.

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 564 million euros 4.500% [1]	Euro	564	1/25/2021

[1] Net of buy-backs totaling 436 million euros made by the company in 2015.

With reference to Telecom Italia S.p.A. 2002–2022 bonds, reserved for subscription by employees of the TIM Group, the nominal amount at 31 December 2021 was 214 million euros, down by 3 million euros compared to 31 December 2020 (217 million euros).

Note that on 31 December 2021, the "*Telecom Italia S.p.A. 2002-2022 Floating Rate bonds, Open Special series, reserved for subscription by employees of the Telecom Italia Group, in service or retired*" bond was closed and the bonds fully repaid starting 1 January 2022, in accordance with the relevant Regulation.

Revolving Credit Facility and Term Loan

The following table shows committed credit lines available at December 31, 2021:

(billion euros)	12/31/2021		12/31/2020	
	Agreed	Drawn down	Agreed	Drawn down
Sustainability-linked RCF - maturing May 2026	4.0	—	—	—
Revolving Credit Facility – maturing January 2023	—	—	5.0	—
Bridge to Bond Facility – maturing May 2021	—	—	1.7	—
Total	4.0	—	6.7	—

At 31 December 2021, TIM had bilateral Term Loans for 850 million euros with various banking counterparties and an overdraft facility for 200 million euros, drawn down for the full amount.

On 19 January 2021, TIM entirely canceled the credit line for 1.7 billion euros, which was not used, stipulated on 18 May 2020 as bridge to bond for subsequent issues on the bond market and an initial maturity of 12 months with an option of extension for another 12 months.

On 13 May 2021, TIM extended the Revolving Credit Facility by 5 years, reducing the amount to 4 billion euros and making it the TIM Group's first ever ESG-linked credit facility.

On 23 December 2021, the subsidiary FiberCop S.p.A. signed a new 5-year Term Loan for an amount of 1.5 billion euros with a pool of international banks, fully drawn down.

Maturities of financial liabilities and average cost of debt

The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities due within 12 months) was 6.53 years.

The average cost of the TIM Group's debt, considered as the cost for the year calculated on an annual basis and resulting from the ratio of debt-related expenses to average exposure, stood at approximately 3.7%, while the average cost of the TIM Group's debt "After Lease" was equal to approximately 3.4%.

Current financial assets and liquidity margin

The TIM Group's available liquidity margin amounted to 13,153 million euros, equal to the sum of:

- "Cash and cash equivalents" and "Current securities other than investments" for a total of 9,153 million euros (5,921 million euros at 31 December 2020), also including 838 million euros in repurchase agreements expiring by April 2022;
- Sustainability-linked Revolving Credit Facility amounting to 4,000 million euros, totally available.

This margin is sufficient to cover the TIM Group's financial liabilities (current and otherwise) falling due over the next 36 months.

In particular:

Cash and cash equivalents amounted to 6,904 million euros (4,829 million euros at December 31, 2020). The different technical forms of investing available cash can be analyzed as follows:

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

Current securities other than investments amounted to 2,249 million euros (1,092 million euros at 31 December 2020): These forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They included a total of 840 million euros of treasury bonds held by Telecom Italia Finance S.A., 675 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash, and 734 million euros of investments in monetary funds by the Brazil Business Unit. The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in "Sovereign debt securities", have been made in accordance with the Guidelines for the "Management and control of financial risk" adopted by the TIM Group.

During the fourth quarter of 2021, adjusted net financial debt came to 22,187 million euros up 23 million euros on 30 September 2021 (22,164 million euros): the stability of the debt level derives from the attenuation of the positive effects deriving from the operative and financial management following the assessment over the contractual terms of finance lease liabilities. In addition, the transactions should be noted carried out in Brazil, such as the sale of 51% of the company I-Systems S.A. (formerly FiberCo) and the acquisition under auction of the frequencies for the implementation of 5G.

(million euros)	12/31/2021 (a)	9/30/2021 (b)	Changes (a-b)
Net financial debt carrying amount	22,416	22,492	(76)
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(229)*	*(328)*	*99*
Adjusted net financial debt	22,187	22,164	23
Breakdown as follows:			
Total adjusted gross financial debt	32,564	29,107	3,457
Total adjusted financial assets	(10,377)	(6,943)	(3,434)

- ***Consolidated Operating Performance***

Revenues

Total TIM Group revenues for the year 2021 amounted to 15,316 million euros, -3.1% compared to the year 2020 (15,805 million euros); the organic change was -1.9%.

The breakdown of total revenues for the year 2021 by operating segment in comparison with 2020 is as follows:

(million euros)	2021		2020		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	12,505	81.6	12,905	81.7	(400)	(3.1)	(3.3)
Brazil	2,840	18.5	2,933	18.6	(93)	(3.2)	4.6
Other Operations	—	—	—	—	—		
Adjustments and eliminations	*(29)*	*(0.1)*	*(33)*	*(0.3)*	*4*		
Consolidated Total	15,316	100.0	15,805	100.0	(489)	(3.1)	(1.9)

The organic change in the TIM Group's consolidated revenues is calculated by excluding the negative effect of exchange rate changes[2] (-226 million euros), the changes in the scope of consolidation (INWIT) (-3 million euros) as well as non-recurring items. More specifically, 2021 was affected by adjustments for non-recurring income totaling -5 million euros. 2020 was affected by adjustments of non-recurring revenues for -39 million euros, as a result of the commercial initiatives of TIM to support customers in dealing with the COVID-19 emergencies.

Revenues for the fourth quarter of 2021 totaled 3,976 million euros (4,148 million euros in the fourth quarter of 2020).

EBITDA

TIM Group EBITDA for the year 2021 came to 5,080 million euros (6,739 million euros in the year 2020, -9.6% in organic terms).

The breakdown of EBITDA and the EBITDA margin broken down by operating segment for 2021 compared with 2020, are as follows:

(million euros)	2021		2020		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	3,730	73.4	5,339	79.2	(1,609)	(30.1)	(12.8)
% of Revenues	*29.8*		*41.4*			*(11.6) pp*	*(4.3) pp*
Brazil	1,362	26.8	1,407	20.9	(45)	(3.2)	4.7
% of Revenues	*48.0*		*48.0*			*0.0 pp*	*0.1 pp*
Other Operations	(12)	(0.2)	(9)	(0.1)	(3)		
Adjustments and eliminations	*—*	*—*	*2*	*—*	*(2)*		
Consolidated Total	5,080	100.0	6,739	100.0	(1,659)	(24.6)	(9.6)

Organic EBITDA - net of the non-recurring items amounted to 6,223 million euros; the EBITDA margin was 40.6% (6,882 million euros in 2020, with an EBITDA margin of 44.1%).

In 2021 EBITDA, which includes an improvement of deferred contract costs linked to the reduction of churn, suffered net non-recurring charges for a total of 1,143 million euros, of which 25 million euros attributable to the COVID-19 emergency in Italy.

In 2020, the TIM Group recorded non-recurring charges for a total of 318 million euros (net of the change in scope and the exchange effect for a total of 6 million euros), of which 108 million euros were attributable to the COVID-19 emergency in Italy.

For further details, in addition to that reported in the "Non-recurring events" chapter of this report on operations, see the Note "Significant non-recurring events and transactions" in the Consolidated Financial Statements as at December 31, 2021 of the TIM Group.

[2] The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 6.35936 in 2021 and 5.88806 in 2020 for the Brazilian real. For the US dollar, the average exchange rates used were 1.18285 in 2021 and 1.14179 in 2020. 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)	2021	2020	Changes	
			absolute	%
EBITDA	5,080	6,739	(1,659)	(24.6)
Foreign currency financial statements translation effect		(106)	106	
Changes in the scope of consolidation		(69)	69	
Non-recurring expenses/(income)	1,143	319	824	
Effect of translating non-recurring expenses/(income) in currency		(1)	1	
ORGANIC EBITDA - excluding non-recurring items	6,223	6,882	(659)	(9.6)
% of Revenues	*40.6*	*44.1*		*(3.5) pp*

Exchange rate fluctuations mainly related to the Brazil Business Unit.

The EBITDA of the fourth quarter of 2021 totaled 731 million euros (1,621 million euros in the fourth quarter of 2020).

Organic EBITDA net of the non-recurring items in the fourth quarter of 2021 totaled 1,382 million euros (1,770 million euros in the fourth quarter of 2020).

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

- Acquisition of goods and services (6,550 million euros; 6,173 million euros in 2020):

(million euros)	2021	2020	Changes
Acquisition of goods	1,266	1,203	63
Revenues due to other TLC operators and costs for telecommunications network access services	1,383	1,314	69
Commercial and advertising costs	1,186	1,192	(6)
Professional and consulting services	253	216	37
Power, maintenance and outsourced services	1,103	1,060	43
Lease and rental costs	603	436	167
Other	756	752	4
Total acquisition of goods and services	6,550	6,173	377
% of Revenues	*42.8*	*39.1*	*3.7 pp*

The increase mainly refers to the Domestic Business Unit for 405 million euros and is due to the greater purchases of goods for resale, sales expenses taking into account the improvement of deferred contract costs linked to the reduction of churn, leased asset costs, particularly for software license rental and greater hosting charges on non-strategic sites connected with the Master Service Agreement (MSA) stipulated between TIM and INWIT, with effect from March 31, 2020.

- Employee benefits expenses (2,941 million euros; 2,639 million euros in 2020):

(million euros)	2021	2020	Changes
Employee benefits expenses - Italy	2,679	2,377	302
Ordinary employee expenses and costs	2,312	2,303	9
Restructuring and other expenses	367	74	293
Employee benefits expenses – Outside Italy	262	262	—
Ordinary employee expenses and costs	262	262	—
Restructuring and other expenses	—	—	—
Total employee benefits expenses	2,941	2,639	302
% of Revenues	*19.2*	*16.7*	*2.5 pp*

The net increase of 302 million euros was mainly driven by:

- the increase of 293 million euros in the Italian component of "restructuring and other expenses" as a consequence of the application of the trade union agreements signed by the Parent company with the trade unions on March 08, 2021 and on April 23, 2021 and the agreements signed respectively on March 15, 2021 by the company Olivetti on April 27, 2021 by Noovle and on May 06, 2021 by the company Telecom Italia Sparkle;

- the increase of 9 million euros of the Italian component of ordinary employee expenses, mainly due to the balance of savings consequent to the reduction in the average salaried workforce (amounting to a total of -1,313 average employees, of whom an average of -184 deriving from the application of the Expansion Contract) and the expenses related to the renewal of the National Collective Bargaining Agreement;

- the substantive lack of change in the foreign component mainly related to the balance of the impact of the exchange rate change and the local salary dynamics of the Brazil Business Unit.

- Other income (272 million euros; 211 million euros in 2020):

(million euros)	2021	2020	Changes
Late payment fees charged for telephone services	39	46	(7)
Recovery of employee benefit expenses, purchases and services rendered	12	14	(2)
Capital and operating grants	28	34	(6)
Damages, penalties and recoveries connected with litigation	27	24	3
Estimate revisions and other adjustments	71	59	12
Special training income	67	13	54
Other	28	21	7
Total	272	211	61

In 2021, "Special training income" included 61 million euros (13 million euros in 2020) in repayments valued for the hours of training delivered (more than 3 million hours, involving approximately 37,000 employees), correlated with the activities tied to the training project financed through the Fondo Nuove Competenze (New Skills Fund - the Ministerial fund aimed at increasing innovative skills in companies).

For the parent company, this project began in December 2020 and drew to a close in May 2021 (repayments for approximately 60 million euros in 2021; approximately 13 million euros in 2020), whilst for the companies Olivetti and Telecom Italia Sparkle, it ended on December 31, 2021 (repayments for approximately 1 million euros in 2021).

- Other operating expenses (1,502 million euros; 961 million euros in 2020):

(million euros)	2021	2020	Changes
Write-downs and expenses in connection with credit management	305	423	(118)
Provision charges	704	43	661
TLC operating fees and charges	189	199	(10)
Indirect duties and taxes	99	96	3
Penalties, settlement compensation and administrative fines	127	120	7
Association dues and fees, donations, scholarships and traineeships	12	12	—
Other	66	68	(2)
Total	1,502	961	541

The increase essentially refers to the Domestic Business Unit (+572 million euros) and includes a non-recurring item of 735 million euros, mainly referring to disputes, transactions, expenses connected with regulatory sanctions and expenses related to agreements and the development of non-recurring projects, as well as provisions and expenses connected with credit management in connection with the COVID-

19 emergency (20 million euros) following the worsening of the expected credit loss of corporate customers tied to the expected evolution of the pandemic.

For further details, in addition to that reported in the “Non-recurring events” chapter of this Report on Operations, see the Note "Significant non-recurring events and transactions" in the Consolidated Financial Statements as at December 31, 2021 of the TIM Group.

With reference to the “impairment and expenses connected with credit management”, the reduction on 2020 (-118 million euros) is the consequence of the consolidation of TIM’s program to optimize processes started in 2020, aimed at increasing the efficiency of credit management, all round, intervening on the whole process involving the customer. More specifically, reference is made to the acceptance, management and collection of debt through to the assessment model of the new commercial offers.

The non-recurring items of the year 2020 of 148 million euros mainly relating to provisions and charges of the Domestic Business Unit related to credit management in relation to the COVID-19 emergency (46 million euros) as well as disputes and regulatory fines and expenses connected with agreements and the development of non-recurring projects.

Depreciation and amortization

In 2021 the item amounts to 4,490 million euros (4,616 million euros in 2020) and breaks down as follows:

(million euros)	2021	2020	Changes
Amortization of intangible assets with a finite useful life	1,511	1,627	(116)
Depreciation of tangible assets	2,284	2,301	(17)
Amortization of rights of use assets	695	688	7
Total	4,490	4,616	(126)

In particular, in 2021, the TIM proceeded to revise the useful life of the IT software applications; in actual fact, following the start of the Digital Enterprise project and consequent verification of the effective and prospective duration of the systems impacted, the amortization period of assets used in fixed and mobile IT software development was revised, taking it from 3 to 6 years, with an impact of lesser period amortization for approximately 115 million euros.

Furthermore, depreciation of tangible assets included the estimated acceleration of depreciation as a consequence of both the switch-off of 3G in Italy, expected for June 2022 (equal to approximately 23 million euros) and the switch-off of part of the copper access network in Italy, hypothesized for end 2030 (equal to 31 million euros).

Net impairment losses on non-current assets

These amounted to 4,120 million euros in 2021 (8 million euros in 2020).

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment on at least an annual basis, when preparing the company’s consolidated financial statements.

With reference to the Domestic Cash Generating Unit (CGU), the impairment test, conducted during the preparation of the 2021 Annual Financial Report, took as a reference the flows of the 2022-2024 Industrial Plan - which, based on the results of the 2021 final accounting, reflects realistic aspects on future developments and outlines all the actions to create value for shareholders - on the basis of the projections up to 2026, assuming the use of domestic market assets in continuity with the conditions as at 31 December 2021 and using a discount rate updated to the financial market conditions as at 31 December 2021.

The configuration of the recoverable amount is the Fair Value estimated on the basis of the income approach, which has highlighted a value reduction of 4,120 million euros of goodwill attributed to the Domestic Cash Generating Unit.

Impairment testing of the Brazil Cash Generating Unit did not reveal any reduction in the value of goodwill allocated to it. The valuation was based on the Market Cap of TIM Brasil as at 31 December 2021 and highlighted a positive difference between the book value of the CGU and Fair Value.

Further details are provided in the Note "Goodwill" to the Consolidated Financial Statements at 31 December 2021 of the TIM Group.

EBIT

TIM Group EBIT for 2021 came to -3,529 million euros (+2,104 million euros in 2020).

Organic EBIT, net of the non-recurring items, amounted to 1,734 million euros (2,313 million euros in 2020), with an EBIT margin of 11.3% (14.8% in 2020).

2021 EBIT is impacted negatively by net non-recurring charges, including the impairment loss on goodwill attributed to the Domestic Cash Generating Unit (4,120 million euros), for 5,263 million euros.

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

(million euros)	2021	2020	Changes absolute	%
EBIT	(3,529)	2,104	(5,633)	—
Foreign currency financial statements translation effect		(36)	36	
Changes in the scope of consolidation		(73)	73	
Non-recurring expenses/(income)	5,263	319	4,944	
Effect of translating non-recurring expenses/(income) in currency		(1)	1	
ORGANIC EBIT - excluding non-recurring items	1,734	2,313	(579)	(25.0)

The EBIT of the fourth quarter of 2021 totaled -4,469 million euros (+477 million euros in the fourth quarter of 2020).

Organic EBIT net of the non-recurring items in the fourth quarter of 2021 totaled 302 million euros (617 million euros in the fourth quarter of 2020).

Other income (expenses) from investments

The item is positive for 126 million euros and mainly included the net capital gain (119 million euros) recognized following the dilution from 100% to 49% of the equity investment of the Brazilian subsidiary TIM S.A. in I-Systems S.A. (formerly FiberCo Soluções de Infraestrutura S.A.), a company established by TIM S.A. for the segregation of its network assets and the provision of infrastructure services, following the completion of the agreement between TIM S.A. and IHS Fiber Brasil - Cessão de Infraestruturas Ltda. (IHS Brasil). See the section "Financial and Operating Highlights of the Business Units of the TIM Group – Brazil Business Unit" of the Report on Operations for more details.

Finance income (expenses), net

Finance income (expenses), net was negative and amounted to 1,150 million euros (-1,179 million euros in 2020): the improvement was mainly driven by lower finance expenses, connected to the reduction in the TIM Group's average debt exposure, only partly offset by the positive effects of the change of some non-monetary items, of a currency and accounting nature.

Income tax expense

In 2021, the flow has a negative balance for a total of 3,885 million euros (positive for 5,955 million euros in 2020). Tax expense mainly relates to the partial writing off of the deferred tax assets entered in 2020 in exchange for the tax recognition of higher values booked in accordance with Decree Law 104/2020 Art. 110, subsections 8 and 8 bis; this write-off is due to the extension to 50 years of the period of tax asset absorption, introduced by Art. 160 of the 2022 Budget Law (Law 234/2021) and the changed assessment of the time frame for recoverability of deferred tax assets of TIM S.p.A. Further details are provided in the Note “Income tax expense (current and deferred)” to the Consolidated Financial Statements at 31 December 2021 of the TIM Group.

Profit (loss) for the year

This item breaks down as follows:

(million euros)	2021	2020
Profit (loss) for the year	(8,400)	7,352
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	(8,652)	7,224
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to owners of the Parent	(8,652)	7,224
Non-controlling interests:		
Profit (loss) from continuing operations	252	128
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to Non-controlling interest	252	128

Net profit attributable to Owners of the Parent for 2021, recorded a loss of -8,652 million euros (+7,224 million euros in 2020), excluding the impact of non-recurring items the net profit for 2021 is positive for +40 million euros (+1,173 million euros in 2020).

For more details on non-recurring items, see the Note "Non-recurring events and transactions" in the Consolidated Financial Statements as at 31 December 2021 of the TIM Group.

- ***Financial And Operating Highlights Of The Business Units Of The Tim Group***

Domestic

(million euros)	2021 (a)	2020 (b)	Changes (a-b) absolute	%	organic % excluding non-recurring
Revenues	12,505	12,905	(400)	(3.1)	(3.3)
EBITDA	3,730	5,339	(1,609)	(30.1)	(12.8)
% of Revenues	*29.8*	*41.4*		*(11.6) pp*	*(4.3) pp*
EBIT	(3,990)	1,635	(5,625)		(32.5)
% of Revenues	*(31.9)*	*12.7*		*(44.6) pp*	*(4.4) pp*
Headcount at year end (number) (°)	42,591	42,925	(334)	(0.8)	

(°) Includes 16 agency contract workers at December 31, 2021 (14 at December 31, 2020)

(million euros)	4th Quarter 2021 (a)	4th Quarter 2020 (b)	Changes (a-b) absolute	%	organic % excluding non-
Revenues	3,224	3,433	(209)	(6.1)	(6.0)
EBITDA	351	1,258	(907)	(72.1)	(28.5)
% of Revenues	*10.9*	*36.6*		*(25.7) pp*	*(9.8) pp*
EBIT	(4,621)	323	(4,944)		(68.1)
% of Revenues	—	*9.4*			*(8.8)*

Fixed

	12/31/2021	12/31/2020	12/31/2019
Total TIM Retail accesses (thousands	8,647	8,791	9,166
of which NGN [(1)]	*5,186*	*4,432*	*3,670*
Total TIM Wholesale accesses (thousands)	7,729	7,974	8,051
of which NGN	*4,819*	*4,220*	*3,309*
Active broadband accesses of TIM Retail (thousands)	7,733	7,635	7,592
Consumer ARPU (€/month) [(2)]	30.1	33.0	34.9
Broadband ARPU (€/month) [(3)]	33.4	31.3	27.7

(1) ultrabroadband access in FTTx and FWA mode, also including "data only" lines and GBE (Gigabit Ethernet).
(2) Revenues from organic Consumer retail services in proportion to the average Consumer accesses.
(3) Revenues from organic broadband and ICT services in proportion to the average TIM retail accesses.

Mobile

	12/31/2021	12/31/2020	12/31/2019
Lines at period end (thousands)	30,466	30,170	30,895
of which Human	*19,054*	*19,795*	*21,003*
Churn rate (%) [(4)]	14.7	18.6	20.4
Broadband users (thousands) [(5)]	12,783	12,818	12,823
Retail ARPU (€/month) [(6)]	7.5	8.0	8.7
Human ARPU (€/month) [(7)]	11.7	12.1	12.6

(4) Percentage of total lines that ceased in the period compared to the average number of total lines.
(5) Mobile lines using data services.
(6) Revenues from organic retail services (visitors and MVNO not included) compared to the total average number of lines.

(7) Revenues from organic retail services (visitors and MVNO not included) compared to the average number of human lines.

Revenues

Domestic Business Unit revenues amounted to 12,505 million euros, changing by -400 million euros (-3.1%) compared to 2020. In organic terms, they reduce by 423 million euros (-3.3% in 2020); in particular, revenues in 2021 were affected by non-recurring adjustments for 5 million euros, while revenues in 2020 were affected by non-recurring items for 39 million euros mainly referring to adjustments of revenues connected to TIM's commercial initiatives to support customers in facing the COVID-19 emergency.

Revenues from stand-alone services come to 11,183 million euros (-422 million euros compared to 2020, -3.6%) and suffer the impact of the competition on the customer base and a reduction in ARPU levels; in organic terms, net of the above-specified non-recurring items, they drop by 439 million euros compared to 2020 (-3.8%).

In detail:

- revenues from stand-alone Fixed market services amounted to 8,574 million euros in organic terms, with a change compared to 2020 of -2.3% mainly due to the decrease in ARPU levels in the Consumer segment, which is also reflected in the trend of revenues from broadband services (-93 million euros compared to 2020, -4.0%), partly offset by the growth in revenues from ICT solutions (+242 million euros compared to 2020, +22.9%);

- revenues from stand-alone Mobile market services came to 3,152 million euros in organic terms (-242 million euros vs 2020, -7.1%), mainly due to ARPU levels and the reduction in the customer base connected with Human lines.

Revenues for Handset and Bundle & Handset, including the change in work in progress, are equal, in organic terms, to 1,322 million euros in 2021, with an increase of 16 million euros compared to 2020, for the most part attributable to the Fixed segment.

Details of revenues achieved in 2021 for the Domestic Business Unit are presented in the following table, broken down by market/business segment and compared to 2020.

(million euros)	4th Quarter 2021	4th Quarter 2020	2021	2020	% Change			
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	organic excluding non-recurring	organic excluding non-recurring
Revenues	3,224	3,433	12,505	12,905	(6.1)	(3.1)	(6.0)	(3.3)
Consumer	1,326	1,525	5,419	5,897	(13.0)	(8.1)	(13.0)	(8.3)
Business	1,136	1,105	4,117	4,087	2.9	0.7	2.9	—
Wholesale National Market	462	510	1,946	1,906	(9.4)	2.1	(8.5)	2.4
Wholesale International	289	262	1,008	966	10.3	4.3	9.9	5.2
Other	11	31	15	49				

As regards the market segments of the Domestic Business Unit, note the following changes compared to 2020:

- 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, net of the aforesaid non-recurring items, the revenues of the Consumer segment totaled 5,419 million euros (-488 million euros, -8.3%) and show a trend, compared to 2020, affected by the challenging competition and greater discipline in commercial processes. The trend seen in total revenues also applied to revenues from stand-alone services, which amounted to 4,726 million euros, changing by -454 million euros compared to 2020 (-8.8%). In particular:

- o revenues from Mobile stand-alone services totaled, in organic terms, 2,161 million euros (-182 million euros, -7.8% compared to 2020). The impact of the competitive dynamic remains, albeit with a lesser reduction of the customer base calling; revenues from roaming and incoming traffic are down due to the progressive reduction of interconnection tariffs;

- o revenues from Fixed stand-alone services totaled, in organic terms, 2,600 million euros (-270 million euros, -9.4% compared to 2020), primarily due to lower ARPU levels and the smaller Customer Base, which declined gradually over the course of 2021. The growth of broadband customers is highlighted, in particular ultrabroadband.

Revenues for Handsets and Bundles & Handsets in the Consumer segment amounted to 693 million euros, -34 million euros compared to 2020 (-4.6%). The decrease is mainly due to lesser sales volumes of modems on fixed lines.

- 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, net of the aforesaid non-recurring items, revenues for the Business segment amounted to 4,117 million euros (in line with 2020, of which -0.7% for revenues from the stand-alone services component). In particular:

    - o total Mobile market revenues showed a negative organic performance compared to 2020 (-0.5%), linked to the revenues from stand-alone services component (-4.4%) and the ARPU trend;

    - o total Fixed revenues in organic terms improved slightly by +6 million euros compared to 2020 (+0.2%), due to the revenues from services component (+0.4%) thanks to 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. The following companies are included: TI San Marino and Telefonia Mobile Sammarinese. The Wholesale National Market segment revenues in 2021 came to 1,946 million euros, up by +40 million euros (+2.1%) compared to 2020, with a positive performance mainly driven by the growth in accesses in the ultrabroadband segment.

- 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 the Wholesale International Market segment for 2021 totaled 1,008 million euros, up by 42 million euros (+4.3%) on the 2020 figure.

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

EBITDA

EBITDA for 2021 of the Domestic Business Unit amounted to 3,730 million euros (-1,609 million euros in 2020, -30.1%).

Organic EBITDA, net of the non-recurring items, amounted to 4,867 million euros (-716 million euros compared to 2020, -12.8%), with an EBITDA margin of 38.9% (-4.3 percentage points compared to 2020). In particular, in 2021 EBITDA 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. Moreover, non-recurring expenses include charges connected with corporate reorganization/restructuring processes, provisions for disputes, transactions, regulatory sanctions and potential liabilities associated thereto, provisions for onerous contracts and expenses related to agreements and the development of non-recurring projects.

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

(million euros)	2021	2020	Changes	
			absolute	%
EBITDA	3,730	5,339	(1,609)	(30.1)
Foreign currency financial statements translation effect	—	(1)	1	
Changes in the scope of consolidation	—	(69)	69	
Non-recurring expenses (Income)	1,137	314	823	
ORGANIC EBITDA, excluding Non-recurring items	4,867	5,583	(716)	(12.8)

EBITDA in the fourth quarter of 2021 was 351 million euros, (-907 million euros compared with 2020, -72.1%).

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

(million euros)	2021	2020	Changes
Acquisition of goods and services	5,534	5,129	405
Employee benefits expenses	2,703	2,401	302
Other operating expenses	1,211	639	572

In particular:

- Other income amounted to 259 million euros with an increase of 59 million euros compared to 2020:

(million euros)	2021	2020	Changes
Late payment fees charged for telephone services	29	40	(11)
Recovery of employee benefit expenses, purchases and services rendered	13	14	(1)
Capital and operating grants	26	32	(6)
Damages, penalties and recoveries connected with litigation	26	24	2
Estimate revisions and other adjustments	73	59	14
Special training income	67	13	54
Other income	25	18	7
Total	259	200	59

- Acquisition of goods and services amounted to 5,534 million euros with an increase of 405 million euros compared to 2020:

(million euros)	2021	2020	Changes
Acquisition of goods	1,154	1,063	91
Revenues due to other TLC operators and interconnection costs	1,258	1,191	67
Commercial and advertising costs	856	868	(12)
Professional and consulting services	162	128	34
Power, maintenance and outsourced services	943	889	54
Lease and rental costs	459	301	158
Other	702	689	13
Total acquisition of goods and services	5,534	5,129	405
% of Revenues	*44.3*	*39.7*	*4.6*

The increase of 405 million euros is mainly due to the greater purchases of goods for resale, sales expenses, taking into account the improvement in deferred contract costs linked to the reduction of the churn rate, leased asset costs, particularly for software license rental and greater hosting charges on non-strategic sites connected with the MSA INWIT contract, which started in April 2020.

- Employee benefits expenses amounted to 2,703 million euros with an increase of 302 million euros compared to 2020.

- Other operating expenses amounted to 1,211 million euros with an increase of 572 million euros compared to 2020:

(million euros)	2021	2020	Changes
Write-downs and expenses in connection with credit management	219	329	(110)
Provision charges	676	6	670
TLC operating fees and charges	43	44	(1)
Indirect duties and taxes	82	79	3
Penalties, settlement compensation and administrative fines	127	120	7
Association dues and fees, donations, scholarships and traineeships	11	11	—
Sundry expenses	53	50	3
Total	1,211	639	572

Other operating expenses for 2021 include non-recurring items for 735 million euros, mainly referring to disputes, transactions, expenses connected with regulatory sanctions and expenses related to agreements and the development of non-recurring projects, as well as provisions and expenses connected with credit management in connection with the COVID-19 emergency (20 million euros) following the worsening of the expected credit loss of corporate customers connected with the expected evolution of the pandemic.

Note that "Write-downs and expenses in connection with credit management" shows a reduction of 110 million euros compared with 2020, which is the consequence of the consolidation of the program to optimize processes started in 2020, aimed at increasing the efficiency of credit management, all round, intervening on the whole process involving the customer. More specifically, reference is made to the acceptance, management and collection of debt through to the assessment model of the new commercial offers.

The non-recurring items of 2020, amounting to 148 million euros, mainly referred to regulatory disputes and related liabilities and to liabilities with customers and/or suppliers.

EBIT

Domestic Business Unit EBIT for 2021 was negative for 3,990 million euros (-5,625 million euros compared to 2020), with an EBIT margin of -31.9% (-44.6 percentage points compared to 2020).

Organic EBIT, net of the non-recurring items, amounted to 1,267 million euros (-609 million euros in 2020, -32.5%), with an EBIT margin of 10.1% (14.5% in 2020).

In 2021 EBIT was negatively impacted by net non-recurring charges totaling 5,257 million euros (314 million euros in 2020), including the impairment of 4,120 million euros of goodwill attributed to the Domestic Cash Generating Unit.

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

(million euros)	2021	2020	Changes	
			absolute	%
EBIT	(3,990)	1,635	(5,625)	
Changes in the scope of consolidation	—	(73)	73	
Non-recurring expenses (Income)	5,257	314	4,943	
ORGANIC EBIT, excluding Non-recurring items	1,267	1,876	(609)	(32.5)

EBIT in the fourth quarter of 2021 was -4,621 million euros, (-4,944 million euros compared with 2020).

Brazil

	(million euros)		(million Brazilian reais)		Changes		
	2021	2020	2021	2020	absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	2,840	2,933	18,058	17,268	790	4.6	4.6
EBITDA	1,362	1,407	8,661	8,282	379	4.6	4.7
% of Revenues	*48.0*	*48.0*	*48.0*	*48.0*		*0.0pp*	*0.1pp*
EBIT	473	476	3,010	2,801	209	7.5	7.7
% of Revenues	*16.7*	*16.2*	*16.7*	*16.2*		*0.5pp*	*0.5pp*
Headcount at year end (number)			9,325	9,409	(84)	(0.9)	

The average exchange rates used for the translation into euro (expressed in terms of units of Real per 1 euro) were 6.35936 for 2021 and 5.88806 for 2020.

	(million euros)		(million Brazilian reais)		Changes		
	4th Quarter 2021	4th Quarter 2020	4th Quarter 2021	4th Quarter 2020	absolute	%	% organic excluding non-
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	761	725	4,799	4,678	121	2.6	2.6
EBITDA	385	364	2,429	2,336	93	4.0	3.4
% of Revenues	*50.6*	*49.9*	*50.6*	*49.9*		*0.7pp*	*0.4pp*
EBIT	158	156	999	974	25	2.6	1.3
% of Revenues	*20.8*	*20.8*	*20.8*	*20.8*		*0.0pp*	*(0.3)pp*

	2021	2020
Lines at period end (thousands) (*)	52,066	51,433
MOU (minutes/month) (**)	104.9	122.7
ARPU (reais)	26.4	24.9

(*) Includes corporate lines.
(**) Net of visitors.

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

Offer for the purchase of the OI group mobile business

In December 2020, TIM announced that the offer presented by TIM S.A. (the operating company of the TIM Brasil Group) together with Telefônica Brasil S.A. (VIVO) and Claro S.A., had been awarded the contract in the competitive sale process for the purchase of the Oi group's mobile business. The transaction is subject to the fulfillment of certain conditions precedent provided for in the agreements and the authorizations of the competent Authorities. Closing is expected during the early months of 2022.

The total value of the transaction amounts to 16.5 billion reais, which is summed with the consideration offered to the Oi Group, of approximately 819 million reais, as net present value (NPV) for the Take-or-Pay Data Transmission Capacity Contracts. TIM Brasil will participate in the transaction with an investment of approximately 7.3 billion reais, to be paid at closing, and 476 million reais relating to TIM Brasil's share of the net present value (NPV) of the contracts. Given the low debt and the favorable market conditions, TIM S.A. believes it can finance the acquisition through cash and the local debt market. However, in the event of any changes in market conditions, TIM S.A. will evaluate all available options.

The purchase plan provides for TIM Brasil, Telefônica Brasil and Claro to divide up Oi's mobile assets and, in particular, its customers, radio frequencies and mobile access infrastructure.

More specifically, TIM Brasil will be allocated:

- approximately 14.5 million customers (corresponding to 40% of UPI Ativos Móveis' total customer base), according to Anatel's data of April 2020. The allocation took into consideration criteria that favor competition among the operators present in the Brazilian market;

- approximately 49 MHz as a national average weighted by population (54% of UPI Ativos Móveis radio frequencies). The division of frequencies strictly respects the spectrum limits per group established by Anatel;

- approximately 7.2 thousand mobile access sites (corresponding to 49% of total UPI Ativos Móveis sites).

On February 09, 2022, the offer presented by TIM S.A. together with Telefônica Brasil S.A. (VIVO) and Claro S.A., was approved by the antitrust authority CADE (Conselho Administrativo de Defesa Economica).

The decision follows the pronunciation of the reglementary Authority Anatel (Agência Nacional de Telecomunicações), which on February 1, 2022, had expressed itself in favor of the transfer of control of Oi's mobile assets.

The closing of the deal, which will define a new infrastructure structure for the Telco market in Brazil, still depends on the fulfillment of specific conditions foreseen in the Sale and Purchase Agreement. The operation, with which TIM Brasil will acquire the most relevant share of the assets of the Oi Group, is expected to bring significant benefits to the Brazilian TLC sector, maintaining a high degree of competition and ensuring the necessary investments for the development of the country's digital advancement.

The transaction, as of its completion, will add value not only to its Brazilian subsidiary but to the whole TIM Group and its shareholders as it will accelerate its growth and increase operating efficiency through relevant synergies. Furthermore, positive effects are also expected for customers, as the transaction is likely to improve the users' experience and the quality of services offered. Finally, the transaction is expected to benefit the entire telecommunications sector in Brazil, which will be strengthened in its investment capacity, technological innovation, as well as its competitiveness.

Agreement with IHS for shareholding in FiberCo

In November 2021, once the regulatory authorization process had been completed, the agreement was stipulated between TIM S.A. and IHS Fiber Brasil - Cessão de Infraestruturas Ltda. ("IHS Brasil"), in order to acquire an equity stake in FiberCo Soluções de Infraestrutura S.A. ("FiberCo"), a company established by TIM S.A. for the segregation of network assets and the provision of infrastructure services.

Following the operation closing, IHS Brasil holds 51% of the share capital of FiberCo, with the remaining 49% is held by TIM S.A.. At the same time, FiberCo was renamed I-Systems.

Shareholder relations are governed by a shareholders' agreement.

The operation was worth 1.68 billion reais, divided up into a primary component of 0.58 billion reais, for the treasury of I-Systems, and a secondary component of 1.10 billion reais, paid to TIM S.A.. The enterprise value of I-Systems was established at 2.71 billion reais and the equity value, after the contribution of the primary component, was set at 3.29 billion reais. The operation also considers possible additional earnings deriving from an earn-out component.

In addition, under the scope of the Operation, TIM and I-Systems have stipulated an agreement to develop the Fiber-to-the-Site (FTTS) infrastructure to connect TIM sites in the areas in which FiberCo will be developing the new infrastructure granting access to fiber optic broadband.

Revenues

Revenues for 2021 of the Brazil Business Unit (TIM Brasil group) amounted to 18,058 million reais (17,268 million reais in 2020, +4,6%), speeding up on the levels recorded from the third quarter of 2020.

The acceleration has been driven by service revenues (17,497 million reais vs 16,665 million reais in 2020, +5.0%) with mobile service revenues growing +4.7% on 2020. This performance is mainly related to the continuous recovery of the pre-paid and post-paid segments. Revenues from fixed services have grown by 8.8% compared to the previous year, determined above all by the growth rate of TIM Live.

Revenues from product sales totaled 561 million reais (603 million reais in 2020).

Revenues in Q4 2021 totaled 4,799 million reais, increased by 2.6% on the fourth quarter of 2020 (4,678 million reais).

The mobile ARPU for 2021 was 26.4 reais, up from the figure recorded in 2020 (24.9 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 December 31, 2021 amounted to 52.1 million, +0.7 million compared to December 31, 2020 (51.4 million). This variation was mainly driven by the postpaid segment (+1.0 million), partially offset by the performance in the prepaid segment (-0.3 million), in part due to the consolidation underway in the market for second SIM cards. Post-paid customers represented 43.9% of the customer base as of December 31, 2021, 1.5 percentage points higher than at December 2020 (42.4%).

The TIM Live BroadBand business recorded net positive growth in 2021 in the customer base of 40 thousand users, +6.1% on December 31, 2020. In addition, the customer base continues to be concentrated on high-speed connections, with more than 50% exceeding 100Mbps.

EBITDA

EBITDA in 2021 was 8,661 million reais (8,282 million reais in 2020, +4.6%) and the margin on revenues was stable at 48.0%.

EBITDA in 2021 reflects the non-recurring charges of 36 million reais (27 million euros in 2020), mainly related to the development of non-recurring projects.

Organic EBITDA, net of the non-recurring items, increased by 4.7% and was calculated as follows:

(million Brazilian reais)	2021	2020	Changes absolute	%
EBITDA	8,661	8,282	379	4.6
Non-recurring expenses/(income)	36	27	9	
ORGANIC EBITDA - excluding non-recurring items	8,697	8,309	388	4.7

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 48.2% (48.1% in 2020).

EBITDA for the fourth quarter of 2021, amounted to 2,429 million reais, up 4.0% compared to the fourth quarter of 2020 (2,336 million reais).

Net of non-recurring charges, the margin on revenues for the fourth quarter of 2021 was 50.9% (50.5% in the fourth quarter of 2020).

The changes in the main cost items are shown below:

	(million euros)		(million Brazilian reais)		
	2021 (a)	2020 (b)	2021 (c)	2020 (d)	Changes (c-d)
Acquisition of goods and services	1,037	1,070	6,592	6,298	294
Employee benefits expenses	237	236	1,506	1,392	114
Other operating expenses	282	318	1,798	1,874	(76)
Change in inventories	7	(8)	44	(43)	87

EBIT

EBIT for 2021 was 3,010 million reais (2,801 million reais in 2020 +7.5%).

Organic EBIT, net of the non-recurring items, in 2021 amounted to 3,046 million reais (2,828 million reais in 2020), with a margin on revenues of 16.9% (16.4% in 2020).

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

(million Brazilian reais)	2021	2020	Changes absolute	%
EBIT	3,010	2,801	209	7.5
Non-recurring expenses/(income)	36	27	9	
ORGANIC EBIT - excluding non-recurring items	3,046	2,828	218	7.7

The EBIT of the first quarter of 2021 totaled 999 million reais (974 million reais in the fourth quarter of 2020).

Net of non-recurring charges, the margin on revenues for the fourth quarter of 2021 was 21.1% (21.4% in the fourth quarter of 2020).

- ***Main Changes in the scope of consolidation of the TIM Group***

Introduction

The TIM Group and TIM S.p.A. Consolidated Financial Statements for the year 2021 and the comparative figures for the previous year have been prepared in compliance with the 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, 2020, except for the amendments to the standards issued by IASB and adopted starting from January 1, 2021.

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; and 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 adjusted After Lease (“EBITDA-AL”), calculated by adjusting the Organic EBITDA, net of the non-recurring items, from the amounts connected with the accounting treatment of the lease contracts according to IFRS 16;

- Adjusted net financial debt After Lease, calculated by excluding from the adjusted net financial debt the net liabilities related to the accounting treatment of lease contracts according to IFRS 16;

- Equity Free Cash Flow After Lease, calculated by excluding from the Equity Free Cash Flow the amounts related to lease payments.

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

Lastly, the section entitled "Business Outlook for the year 2022" contains forward-looking statements in relation to the TIM Group's intentions, beliefs or current expectations regarding financial performance and other aspects of the Group's operations and strategies. Readers of this Annual Financial Report are reminded not to place undue reliance on forward-looking statements; in fact, actual results may differ significantly from forecasts owing to risks and uncertainties depending on numerous factors, the majority of which are beyond the scope of the TIM Group’s control. Please refer to the "Main risks and uncertainties" section for more information. It provides a detailed description of the major risks pertaining to the TIM Group business activity which can, even considerably, affect its ability to meet the set goals.

The following were the main corporate transactions implemented during 2021:

- *Noovle S.p.A. (Domestic Business Unit)*: starting January 1, 2021, the conferral is effective to Noovle of the TIM business unit comprising the assets and liabilities and employees involved in the supply of services for the Cloud and Edge Computing and the rent of spaces, including virtual, also offered through a dedicated network of data centers;

- *FiberCop S.p.A.; Flash Fiber S.r.l. (Domestic Business Unit)*: starting March 31, 2021, the conferral is effective to FiberCop S.p.A. of the TIM business unit comprising the goods, assets and liabilities and legal relations organized functionally for the supply of passive fiber or copper access services, used by TIM, and at the service of other authorized operators (OAOs), by means of the secondary network (the "last mile"). At the same time, the purchase was completed by Teemo Bidco, an indirect subsidiary of KKR Global Infrastructure Investors III L.P., of 37.5% of FiberCop from TIM and Fastweb has subscribed FiberCop shares corresponding to 4.5% of the company's capital, through the conferral of the stake held in Flash Fiber, which was simultaneously incorporated into FiberCop;

- *TIM Tank S.r.l. (Other activities)*: on April 1, 2021, it was merged into Telecom Italia Ventures S.r.l. with accounting and tax effects backdated to January 1, 2021;

- *Telecom Italia Trust Technologies S.r.l. (Domestic Business Unit)*: starting April 1, 2021, the investment in the company was conferred by TIM to Olivetti;

- *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 includes 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;

- *Staer Sistemi S.r.l. (Domestic Business Unit)*: company acquired by Olivetti 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. - formerly FiberCo Soluções de Infraestrutura 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 share capital of FiberCo, with the remaining 49% is held by TIM S.A.. FiberCo is the company established by TIM S.A. for the segregation of its network assets and the provision of infrastructure services. Starting from the operation, FiberCo has been renamed I-Systems and is accounted for by the TIM Group using the equity method;

- *Olivetti Payments Solutions S.p.A. (Domestic Business Unit)*: company established on 1 December 2021; its business purpose is the management of equity investments, study and research activities, commercial, industrial, financial movable and real estate activities.

The following should also be noted:

- *TIMFin S.p.A.*: on January 14, 2021, it was registered with the Register of Financial Intermediaries pursuant to Art. 106 of the CLB.

During 2020, the main changes in the scope of consolidation were as follows:

- *Infrastrutture Wireless Italiane S.p.A. (INWIT) (Domestic Business Unit):* on March 31, 2020 the merger by incorporation of Vodafone Towers S.r.l. into INWIT was completed. The transaction, which enabled the creation of Italy's leading tower operator, entailed the dilution of the TIM Group's stake in the capital of INWIT from 60% to 37.5%; therefore, as of March 31, 2020, the equity investment in INWIT S.p.A. is accounted for using the equity method. Starting from the Consolidated Financial Statements as at December 31, 2019 and until the completion of the aforementioned merger INWIT was presented as an "Asset held for sale"; therefore, TIM Group consolidated economic data and cash flows for 2020 include data of INWIT for the first quarter of 2020, net of amortization and depreciation for the period, as required by IFRS 5. Also note that during 2020, additional stock packets were transferred, corresponding to 7.3% of INWIT share capital. At December 31, 2021, TIM Group's investment held in INWIT was 30.2%;

- *Noovle S.r.l. (Domestic Business Unit)*: on May 21, 2020, TIM finalized the acquisition of 100% of the quotas in Noovle S.r.l., an Italian ICT consulting and system integration company, specialized in supplying cloud solutions and projects and one of Google Cloud's leading partners on the Italian market;

- *Daphne 3 S.p.A. (Domestic Business Unit)*: company established on July 24, 2020; the corporate purpose is the acquisition, holding, management and disposal of equity investments in INWIT - Infrastrutture Wireless Italiane S.p.A.;

- *TIM My Broker S.r.l. (Domestic Business Unit)*: company established on August 4, 2020; the corporate purpose is mainly insurance intermediation activities pursuant to art. 106 of Legislative Decree no. 209 of September 7, 2005 as subsequently amended and supplemented.

- *Noovle S.p.A.* (*Domestic Business Unit*): company established on October 9, 2020; the corporate purpose is primarily the planning, design, implementation, commissioning and management of Data Center infrastructure implementation and collocation services;

- *FiberCop S.p.A.(Domestic Business Unit)*: company incorporated on November 2, 2020; the corporate purpose is the design, building, purchase, management, maintenance and sale of infrastructures, networks, cabled access services easement to end customer facilities offered to telecommunications industry operators across Italy;

- *FiberCo Soluções de Infraestrutura Ltda (Brazil Business Unit)*: telecommunications services company established on December 21, 2020.

The following should also be noted:

- *TIM Participações S.A. (Brazil Business Unit)*: merger by incorporation into TIM S.A. became effective as of September 2020;

- *TN Fiber S.r.l. (Domestic Business Unit)*: was merged into TIM on September 30, 2020, with tax effects backdated to January 1, 2020;

- *TIM Vision S.r.l. (Domestic Business Unit)*: was merged into TIM on October 1, 2020, with accounting and tax effects backdated to January 1, 2020;

- *H.R. Services S.r.l. (Domestic Business Unit)*: was merged into TIM on December 31, 2020, with accounting and tax effects backdated to January 1, 2020;

- *TIMFin S.p.A.*: on November 3, 2020, the Bank of Italy authorized TIMFin to carry out the business of granting loans to the public pursuant to articles 106 et seq. of the CLB. Registration in the Register of Financial Intermediaries is subject to the fulfillment of certain operational requirements.

Main corporate actions

Establishment of FiberCop S.p.A.

Starting 31 March 2021, the conferral is effective to FiberCop S.p.A. of the TIM business unit comprising the goods, assets and liabilities and legal relations organized functionally for the supply of passive fiber or copper access services, used by TIM, and at the service of other authorized operators (OAOs), by means of the secondary network (the "last mile").

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.

The transaction

The establishment of FiberCop S.p.A. (hereinafter also "FiberCop") is part of the project to expand optical fiber coverage throughout Italy; it aims to play a key role in bridging the digital divide in Italy, and accelerating customer transition from copper to fiber. Specifically:

- the company's purpose is the design, construct and manage infrastructure for the provision of wired access to the end users' premises to telecommunications operators;

- FiberCop operates in accordance with the co-investment model and is the first in Europe to apply the new European Electronic Communications Code nationwide;

- FiberCop has a network asset that already offers UBB connections to around 94% of fixed lines thanks to FTTC and FTTH technology, and will continue to develop FTTH coverage, with connection speeds of over 1 Gigabit. The objective is to reach 75% of the housing units in gray and black areas by 2025.

The company was established on 2 November 2020 with share capital fully paid in by the single shareholder TIM.

On March 31, 2021, following the co-investment agreements between TIM, KKR Infrastructure L.P. (hereinafter also "KKR") and Fastweb S.p.A. (hereinafter "Fastweb"), KKR finalized its entry into FiberCop's capital through Teemo Bidco Sarl (37.5%) and Fastweb (4.5%).

In particular, on March 31, 2021 the following transactions were finalized:

- Conferral of TIM's secondary network (from the street cabinet to customers' homes);

- Conferral of Fastweb's shareholding in Flash Fiber S.r.l. (hereinafter "Flash Fiber"), a company owned by TIM (80%) and Fastweb (20%);

- Merger of Flash Fiber into FiberCop, backdating the accounting and tax effects to 1 January 2021, which resulted in the contribution of the fiber optic network previously developed in 29 cities;

- Purchase by Teemo Bidco Sarl of 37.5% of FiberCop from TIM.

In detail, the FiberCop shareholders' meeting, passed resolution on 24 March 2021 to approve the paid capital increase, with a first tranche reserved for TIM totaling 4,643 million euros (8.95 million euros of which to be allocated to share capital) to be released through the contribution in kind of the business unit relating to the "secondary network", and a second tranche reserved for the company Fastweb totaling 210 million euros (1 million euros of which to be allocated to share capital) to be released through the conferral of the 20% stake in Flash Fiber's share capital.

At the same time, the merger by incorporation of Flash Fiber into FiberCop involved the elimination of the full shareholdings, valued at 460 million euros against the merged company equity of 290 million euros at 31 March 2021, and the recognition of a negative merger reserve of 170 million euros (18 million euros for the TIM portion and 152 million euros for the Fastweb portion).

Following these transactions, the share capital of FiberCop broke down as follows at December 31, 2021: TIM S.p.A. 58%; Teemo Bidco Sarl 37.5%; Fastweb S.p.A. 4.5%.

The Master Service Agreement

To regulate the commercial relationship between TIM and FiberCop and ensure continuity of operations and consolidation of its processes, TIM and FiberCop signed a number of agreements, including: the Master Service Agreement which governs the provision of services provided to TIM and FiberCop and vice versa; the IRU Master Agreement which governs FiberCop's grant to TIM of the right to use all of the installation or fiber optic infrastructure that has come under FiberCop's ownership; the Transitional Services Agreement with TIM which entrusts TIM with the management and development of the IT systems during FiberCop's start-up phase; as well as agreements for the provision of necessary general services by TIM for the company to operate. In addition to the agreement entered into with TIM, FiberCop signed the Master Service Agreement with Fastweb to regulate the provision of services by both parties as part of the network development project.

Obligations underlying the Contractual Commitments

The Master Service Agreement stipulated between TIM and FiberCop regulates the supply of reciprocal services within the secondary network infrastructure development project on Italian territory.

Under the scope of the Master Service Agreement, both parties have made certain commitments: TIM has made commitments to FiberCop on an annual basis in terms of minimum purchases of services and migration of the customer base from copper to fiber optic and the development of the horizontal FTTH network; FiberCop has made commitments to purchase the primary network and the construction and maintenance services from TIM.

In connection with these commitments, the agreements envisage penalties applicable to either party if they should not be respected, and rights in the favor of Teemo BidCo, as minority shareholder, to protect against any failure by TIM to execute the contractual commitments made; this is all in line with standard market practice.

These penalties charged to the parties and rights of the minority shareholder are assessed when drafting the financial statements and subject to reconsideration at each accounting end date.

Establishment of Noovle

Starting January 1, 2021, the conferral is effective to Noovle of the TIM business unit comprising the assets and liabilities and employees involved in the supply of services for the Cloud and Edge Computing business and the rent of spaces, including virtual, also offered through a dedicated network of data centers.

The transaction

With the aim of extending its leadership in cloud services, seizing the business opportunities presented by the market and maximizing efficiency and effectiveness, particularly in terms of overall security, TIM has decided to concentrate its assets and skills in the cloud area, that were previously spread among several of TIM's departments, into a single company. Also in business terms, the transaction is the outcome of a collaboration agreement with Google Cloud (a partnership signed in the first quarter of 2020) for the creation of innovative public, private and hybrid cloud services to enrich TIM's offer of technological services.

The transaction ensures a strong focus on that sector and favors an acceleration of cloud sales on the market as well as an effective and efficient management of the partial migration of the computational workloads of TIM's IT to the public cloud, guaranteeing the optimization of infrastructure and operations.

The transaction also allows the further development of skills in the cloud area and the achievement of major sustainability objectives.

Operation structure

The transaction took the form of a contribution in kind, pursuant to Art. 2343 ter, second paragraph, letter b) of the Italian Civil Code, of a TIM business complex to Noovle, a company set up and wholly controlled by TIM for this purpose and subject to its management and coordination.

The conferral involved the assignment to the transferee company of a business unit consisting of assets, liabilities, contracts of purchase and sale, employees and anything else intended for and attributable to the provision i) of services relating to the cloud business, including ICT services to be supplied to TIM itself, and ii) the rental of spaces, including virtual ones, also offered through a dedicated network of data centers.

Agreements with TIM signed under the scope of the conferral

With a view to ensuring the homogeneous management of the commercial relationship with TIM and to guaranteeing continuity of operations and consolidation of its processes, early 2021, Noovle signed various agreements with the parent company, in particular:

- the two Master Service Agreements, signed on February 19, 2021, regulate on the one hand, the Services supplied by Noovle to the TIM client (including Site Management Services, Proximity services, Assurance; Security Management, Architecture & Engineering Services, Operating Governance Services, Demand Management, Infrastructure and Project Delivery, System Development & Management, COE – Centers of Excellence, Offering, Supply and Conditioning Services, Systems Management/Discovery Operations) and, on the other, the Services supplied by TIM in connection with the operative needs of Noovle, also in order to assure consistency with the TIM Group's processes;

- under the scope of the carve out, Noovle was also conferred the specific project agreements of the TIM-Google partnership. The specified collaboration agreement with Google Cloud, signed by TIM in February 2020, is in fact structured into a main agreement and specific project contracts.

- Non-recurring events

In the years 2021 and 2020, the TIM Group recognized non-recurring net operating expenses connected to events and transactions that by their nature do not occur on an ongoing basis in the normal course of operations and which have been shown because their amount is significant. Non-recurring charges include, among others, any goodwill impairment changes, provisions for regulatory disputes and potential liabilities related to them, liabilities with customers and/or suppliers, and provisions for onerous contracts, charges associated with corporate reorganization/restructuring and prior-year adjustments.

In detail:

(million euros)	2021	2020
Non-recurring expenses/(income)		
Revenues		
Revenue adjustments	5	39
Other income		
Other operating provisions absorption	—	(1)
Recovery of operating expenses	(13)	—
Acquisition of goods and services and Change in inventories		
Expenses related to agreements and the development of non-recurring projects	49	58
Employee benefits expenses		
Charges connected to corporate reorganization/restructuring and other costs	367	74
Other operating expenses		
Sundry expenses and provisions	735	148
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	1,143	318
Goodwill impairment loss Domestic CGU	4,120	—
Impact on EBIT - Operating profit (loss)	5,263	318

Specifically, non-recurring events for the year 2021 included:

- 4,120 million euros for the impairment loss on Goodwill attributed to the Domestic Cash Generating Unit (CGU). The impairment test, carried out when drawing up the 2021 Financial Statements, was performed by referring to the flows of the 2022 - 2024 Industrial Plan and the projections up to 2026 of the CGU in its current conditions, and using a discount rate updated to the financial market conditions as at December 31, 2021. The 2022-2024 Industrial Plan is based on the results of the 2021 final accounting, reflects realistic expectations on future developments and outlines all the actions to create value for the shareholders. The impairment loss seen during the year is entirely due to goodwill;

- 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.

Other operating expenses - Sundry expenses and provisions include 548 million euros for the posting of a Contractual Risk Provision for Onerous Contracts (IAS 37) relating to ongoing relations with some counterparties for the offer of multimedia content.

In particular, they include the accrual of the Net Present Value of the negative margin connected with some partnerships, including the one in place between TIM and DAZN for the offer in Italy on the TIMVISION platform of DAZN content, including all matches of the Serie A football championship for the seasons 2021-2022, 2022-2023 and 2023-2024.

In greater detail, as part of the definition of the 2022-2024 strategic plan, the business plan hypotheses have been updated for the current football season and the next two, pointing out that the total margins of the project, including TIM's contractual commitments towards DAZN in terms of fees, for lack of remedy by DAZN of certain breaches already disputed, is very much negative.

Use of said Provision throughout the contractual term will make it possible to offset the negative item of the margin (EBITDA), thereby obtaining null EBIT (organic or operative margin) for the DAZN offer contents sale business.

With specific regard to the Contractual Risk Provision for Onerous Contracts relating to content, the financial reports for future years and throughout the life of the contract will indicate:

- the amount used of the Provision for risks covering the negative margin;

- the amount of the total organic margins (organic EBITDA) that would have been recorded without using said Provision;

- the financial outlay connected with the payments due to counterparties.

- 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 TIM and the trade unions;

- 49 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.

In 2020, the TIM Group recorded net non-recurring charges for a total of 318 million euros, net of the change in scope for 5 million euros and the exchange effect (1 million euros), mainly relative to:

- 39 million euros in adjustments to revenues, of which 38 million in discounts as a result of TIM customer support measures in relation to the COVID-19 pandemic;

- 58 million euros in expenses related to agreements and the development of non-recurring projects, as well as costs for purchases relating to supplies that became necessary for the management of the health emergency;

- 74 million euros in employee benefits expenses primarily associated with corporate reorganization/restructuring processes and other costs;

148 million euros of other operating expenses mainly in relation to provisions and expenses connected with the management of credits deriving from the worsening of the macroeconomic context following the COVID-19 emergency, costs for regulatory sanctions, as well as expenses related to agreements and the development of non-recurring projects.

APPENDIX 3 - OVERVIEW OF KEY OPERATING AND FINANCIAL DATA FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

*The TIM Group and TIM S.p.A. Consolidated Financial Statements for 2020 and the comparative figures for the previous year have been prepared in compliance with the 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, 2019, except for the amendments to the accounting standards issued by the IASB and in force as of January 1, 2020.

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; and 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 indicators:

- ***EBITDA adjusted After Lease ("EBITDA-AL"), calculated by adjusting the Organic EBITDA net of the non-recurring items, amounts connected with the accounting treatment of the leasing contracts according to IFRS 16.***
- ***Adjusted net financial debt After Lease, calculated by excluding the liabilities connected with the accounting treatment of the leasing contracts from the adjusted net financial debt according to IFRS 16;***
- ***Equity Free Cash Flow After Lease, calculated by excluding, from the Equity Free Cash Flow, the amounts related to lease payments.***

The meaning and content of the alternative performance indicators are provided in the "Alternative performance indicators" chapter; analytical detail of the amounts of the reclassifications introduced and of the methods for determining indicators is also provided.

Lastly, the section called "Business Outlook for the year 2021" 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 Annual Financial Report are reminded not to place undue reliance on forward-looking statements; in fact, actual results may differ significantly from forecasts owing to risks and uncertainties depending on numerous factors, the majority of which are beyond the scope of the Group's control. Please refer to the "Main risks and uncertainties" section for more information. It provides a detailed description of the major risks pertaining to the TIM Group business activity which can, even considerably, affect its ability to meet the set goals.

Non-recurring events

In the years 2020 and 2019, the TIM Group recognized **non-recurring net operating expenses** connected to events and transactions that by their nature do not occur on an ongoing basis in the normal course of operations and which have been shown because their amount is significant. Non-recurring charges include, among others, any goodwill impairment changes, provisions for regulatory disputes and potential liabilities related to them, liabilities with customers and/or suppliers, and charges associated with corporate reorganization/restructuring and prior-year adjustments.

In detail:

(million euros) **Non-recurring expenses/(income)**	**2020**	**2019**
Revenues		
Revenue adjustments	39	15
Other operating income		
Other operating provisions absorption	(1)	
Brazil Business Unit Tax recovery and Domestic Business Unit operating expenses recovery effect		(706)
Acquisition of goods and services and Change in inventories		
Expenses related to agreements and the development of non-recurring projects	64	21
Employee benefits expenses		
Charges connected to corporate reorganization/restructuring and other processes	74	282
Other operating expenses		
Sundry expenses and provisions	148	459
Impact on EBITDA	**324**	**71**
Sale of Persidera S.p.A. (Domestic BU)		18
Impact on EBIT	**324**	**89**

Specifically, non-recurring events for the year 2020 included:

- 39 million euros in adjustments to revenues, of which 38 million in discounts as a result of TIM S.p.A. customer support measures in relation to the COVID-19 pandemic;
- 64 million euros in expenses related to agreements and the development of non-recurring projects, as well as costs for purchases relating to supplies that became necessary for the management of the health emergency;
- 74 million euros in Employee benefits expenses primarily associated with corporate reorganization/restructuring processes and other costs;
- 148 million euros mainly in relation to provisions and expenses connected with the management of credits deriving from the worsening of the macroeconomic context following the COVID-19 emergency, costs for regulatory sanctions, as well as expenses related to agreements and the development of non-recurring projects.

In the year 2019, the TIM Group reported net non-recurring operating charges totaling 89 million euros, representing the balance of:

- non-recurring operating charges for 795 million euros primarily regarding charges associated with corporate restructuring processes (282 million euros), provisions for regulatory disputes and potential related liabilities and liabilities with customers and/or suppliers (459 million euros);
- non-recurring operating income amounting to 706 million euros, including 685 million euros recognized as tax receivables by the Brazilian Business Unit, as a result of the favorable outcome of tax disputes relating to the inclusion of the ICMS indirect tax in the basis for calculating the PIS/COFINS contribution and 21 million euros recognized by the Domestic Business Unit as a receivable for reimbursement of the fine regarding Antitrust proceedings I761.

Main changes in the scope of consolidation of the TIM Group

The main changes to the scope of consolidation in 2020 were as follows:

- *Infrastrutture Wireless Italiane S.p.A. Infrastrutture Wireless Italiane S.p.A. (INWIT) (Domestic Business Unit)*: the merger by incorporation of Vodafone Towers S.r.l. in INWIT S.p.A. was completed on March 31, 2020. The transaction, which enabled the creation of Italy's leading tower operator, diluted the TIM Group's stake in the capital of INWIT from 60% to 37.5%; therefore, as of March 31, 2020, INWIT S.p.A. is accounted for using the equity method. INWIT S.p.A. was presented as "Asset held for sale" from the Consolidated Financial Statements as at December 31, 2019 and until the completion of the aforementioned merger; therefore, TIM Group consolidated economic data and cash flows for FY 2020 include data of INWIT S.p.A. for the first quarter of 2020, net of amortization and depreciation for the period, as required by IFRS 5. In addition, attention is drawn to the following events: in 2020, additional INWIT stock packets were transferred, corresponding to 7.3% of INWIT share capital (for further details, please refer to the Note: "Equity investments" in the TIM Group Consolidated Financial Statements for the year ended December 31, 2020.) Consequently, at December 31, 2020, TIM Group's investment held in INWIT was 30.2%;
- *Noovle S.r.l. (Domestic Business Unit)*: on May 21, 2020, TIM S.p.A. finalized the acquisition of 100% of the quotas in Noovle S.r.l., an Italian ICT consulting and system integration company, specialized in supplying cloud solutions and projects and one of Google Cloud's leading partners on the Italian market. With effect from this date, Noovle S.r.l. and its subsidiaries have been consolidated line-by-line;
- *Daphne 3 S.p.A. (Domestic Business Unit)*: company established on July 24, 2020; the corporate purpose is the acquisition, holding, management and disposal of equity investments in INWIT - Infrastrutture Wireless Italiane S.p.A.
- *TIM My Broker S.r.l. (Domestic Business Unit)*: company established on August 4, 2020; the corporate purpose is primarily insurance intermediation, within the meaning of article 106 of Italian Legislative Decree no. 209 of September 7, 2005, as amended.
- *Noovle S.p.A.* (*Domestic Business Unit*): company established on October 9, 2020; the corporate purpose is primarily the planning, design, implementation, commissioning and management of Data Center infrastructure implementation and colocation services;
- *FiberCop S.p.A. (Domestic Business Unit)*: company incorporated on November 2, 2020; the corporate purpose is the design, building, purchase, management, maintenance and sale of infrastructures, networks, cabled access services easement to end customer facilities offered to telecommunications industry operators across Italy;
- *Fiberco Soluções de Infraestrutura Ltda (Brazil Business Unit)*: telecommunications services company established on December 21, 2020.

The following should also be noted:

- *TIM Participações S.A. (Brazil Business Unit)*: merger by incorporation into TIM S.A. became effective as of September 2020;
- *TN Fiber S.r.l. (Domestic Business Unit)*: Merged with TIM S.p.A. on September 30, 2020 with retroactive accounting and tax effects backdated to January 1, 2020.
- *TIM Vision S.r.l.* (Domestic Business Unit): Merged with TIM S.p.A. on October 1, 2020, with retroactive accounting and tax effects backdated to January 1, 2020.
- *H.R. Services S.r.l. (Domestic Business Unit)*: Merged with TIM S.p.A. on December 31, 2020 with retroactive accounting and tax effects backdated to January 1, 2020.
- *TIMFin S.p.A.:* on November 3, 2020, the Bank of Italy authorized TIMFin, a joint venture between TIM and Santander Consumer Bank to carry out the business of granting loans to the public pursuant to articles 106 *et seq.* of the CLB (registration in the Register of Financial intermediaries is subject to the fulfillment of certain operational requirements). The company - 49% owned by TIM and 51% by Santander - will offer financing services to TIM customers.

The main changes in the scope of consolidation in the year 2019, were as follows:

- *Persidera S.p.A. (Domestic Business Unit)*: Sold, after the demerger into two distinct entities, on December 2, 2019.

Also:

- *Infrastrutture Wireless Italiane S.p.A. (INWIT) (Domestic Business Unit)*: at December 31, 2019, holding completion of the merger by incorporation of Vodafone Towers S.r.l. into INWIT highly probable within the 2020 financial year, with resulting reduction of the TIM Group's equity investment in INWIT from 60% to 37.5%, the company was stated as "Asset held for sale". Accordingly, the financial assets and liabilities have been reclassified in the "Discontinued operations/Non-current assets held for sale" and "Liabilities directly associated with Discontinued operations/Non-current assets held for sale" items of the Consolidated Statements of Financial Position at December 31, 2019. Consolidated income data and cash flows for the 2019 included INWIT S.p.A. figures for the full period.
- *Noverca S.r.l. (Domestic Business Unit)*: Merged with TIM S.p.A. on November 1, 2019 with retroactive accounting and tax effects backdated to January 1, 2019.

Consolidated operating performance

Revenues

Total **TIM Group revenues** for the year 2020 amounted to **15,805 million euros,** down -12.1% compared to the year 2019 (17,974 million euros); organic change in total revenues was -6.4%.

The breakdown of total revenues for the year 2020 by operating segment in comparison with 2019 is as follows:

(million euros)	2020		2019		Changes		
		% weight		% weight	absolute	%	organic % excluding non-recurring
Domestic	12,905	81.7	14,078	78.3	(1,173)	(8.3)	(7.7)
Brazil	2,933	18.6	3,937	21.9	(1,004)	(25.5)	(0.6)
Other Operations	—	—	—	—	—		
Adjustments and eliminations	(33)	(0.3)	(41)	(0.2)	8		
Consolidated Total	**15,805**	**100.0**	**17,974**	**100.0**	**(2,169)**	**(12.1)**	**(6.4)**

The organic change in the Group's consolidated revenues for the year 2020 is calculated by excluding the negative effect of exchange rate cha[1] of -990 million euros, the changes in the scope of consolidation[2] for -64 million euros as well as non-recurring items. The adjustments of non-recurring revenues recorded in 2020 (-39 million euros) are connected to the commercial initiatives of TIM S.p.A. to support customers to deal with the COVID-19 emergency, while 2019 was affected by non-recurring charges of 15 million euros relating to adjustments to revenues from previous years.

The company Noovle S.r.l. and its subsidiaries are consolidated on a line-by-line basis since the date on which control was acquired by the TIM Group (May 21, 2020). If the acquisition of Noovle S.r.l had been completed on January 1, 2020, the TIM Group would have posted higher revenues for approximately 14 million euros with insignificant effects on the profit (loss) for the year.

Total revenues for the fourth quarter of 2020 amounted to 4,148 million euros, with an organic change compared to the fourth quarter 2019 of -90 million euros (-2.1%).

EBITDA

T**IM Group EBITDA** for the year 2020 came to **6,739 million euros** (8,151 million euros in the year 2019, -17.3%; -5.9% in organic terms).

The breakdown of EBITDA and the EBITDA margin broken down by operating segment for 2020 compared with 2019, are as follows:

(million euros)	2020		2019		Changes		
		% weight		% weight	absolute	%	organic % excluding non-recurring
Domestic	5,339	79.2	5,708	70.0	(369)	(6.5)	(7.9)
% of Revenues	*41.4*		*40.5*			*0.9 pp*	*(0.1)pp*
Brazil	1,407	20.9	2,451	30.1	(1,044)	(42.6)	3.1
% of Revenues	*48.0*		*62.3*			*(14.3)pp*	*1.7 pp*
Other Operations	(9)	(0.1)	(9)	(0.1)	—		
Adjustments and eliminations	*2*		*1*		*1*		
Consolidated Total	**6,739**	**100.0**	**8,151**	**100.0**	**(1,412)**	**(17.3)**	**(5.9)**

[1]The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 5.88806 in 2020 and 4.41422 in 2019 for the Brazilian real. For the US dollar, the average exchange rates used were 1.14179 in 2020 and 1.11954 in 2019. 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.

[2] For comparison purposes, the changes in the scope of consolidation also include the effects, effective March 31, 2019, of the new Master Service Agreement signed by TIM S.p.A. with INWIT S.p.A. during the first quarter of 2020.

Organic EBITDA - net of the non-recurring items amounted **to 7,063 million euros**; the EBITDA margin was 44.6% (7,505 million euros in 2019, with an EBITDA margin of 44.3%).

EBITDA for 2020 reflected a total negative impact of 324 million euros referring to net non-recurring expenses, of which 108 related to the COVID-19 emergency in Italy.

For further details, in addition to that reported in the “Non-recurring events” chapter of this report on operations, see the Note "Non-recurring events and transactions" in the Consolidated Financial Statements as at December 31, 2020 of the TIM Group.

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

(million euros)	2020	2019	Changes	
			absolute	%
EBITDA	6,739	**8,151**	**(1,412)**	**(17.3)**
Foreign currency financial statements translation effect		(614)	614	
Changes in the scope of consolidation		(254)	254	
Non-recurring expenses (income)	324	66	258	
Effect of the conversion of foreign currency non-recurring Charges/(Income)		156	(156)	
ORGANIC EBITDA, excluding Non-recurring items	7,063	**7,505**	**(442)**	**(5.9)**
% of Revenues	*44.6*	*44.3*		*0.3 pp*

The EBITDA of the fourth quarter of 2020 totaled 1,621 million euros (1,652 million euros in the fourth quarter of 2019).

Organic EBITDA net of the non-recurring component in the fourth quarter of 2020 totaled 1,764 million euros (1,790 million euros in the fourth quarter of 2019).

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

- **Acquisition of goods and services (6,173 million euros; 6,463 million euros in 2019):**

(million euros)	2020	2019	Changes
Acquisition of goods	1,203	1,396	(193)
Revenues due to other TLC operators and costs for telecommunications network access services	1,314	1,324	(10)
Commercial and advertising costs	1,192	1,351	(159)
Professional and consulting services	216	220	(4)
Power, maintenance and outsourced services	1,060	1,119	(59)
Lease and rental costs	436	428	8
Other	752	625	127
Total acquisition of goods and services	**6,173**	**6,463**	**(290)**
% of Revenues	*39.1*	*36.0*	*3.1 pp*

The decrease is mainly attributable to the Brazil Business Unit for 380 million euros (of which approximately 363 million euros due to the impact of exchange rate dynamics).

- **Employee benefits expenses (2,639 million euros; 3,077 million euros in 2019):**

(million euros)	2020	2019	Changes
Employee benefits expenses - Italy	**2,377**	**2,730**	**(353)**
Ordinary employee expenses and costs	2,303	2,463	(160)
Restructuring and other expenses	74	267	(193)
Employee benefits expenses – Outside Italy	**262**	**347**	**(85)**
Ordinary employee expenses and costs	262	332	(70)
Restructuring and other expenses	—	15	(15)
Total employee benefits expenses	**2,639**	**3,077**	**(438)**
% of Revenues	*16.7*	*17.1*	*(0.4) pp*

The net decrease of 438 million euros was mainly driven by:

- a decrease of 160 million euros of ordinary Employee benefits expenses in the Italian component, essentially due to the benefits deriving from a reduction in the average salaried workforce amounting to a total of -2,490 average employees;
- a decrease of 193 million euros of "restructuring and other expenses" in the Italian component. In 2020, charges were set aside amounting to 74 million euros mainly related to the effective exits of the Parent Company in the year 2020 (also through the application of art. 4 of Italian Law no. 92 of June 28, 2012, as defined in the Trade Union Agreement of February 26, 2019 and the Trade Union Agreement signed June 4, 2020) and to the provision made for exits based on the application of art. 4 of Italian Law no. 92 of June 28, 2012 following the agreements signed with trade unions on April 22, 2020 by Olivetti and Telecom Italia Trust Technologies, and on April 17, 2020 by Telecontact. In 2019, provisions were recorded for expenses totaling 267 million euros following the updated provisions related to the application of art. 4 of Italian Law no. 92 of June 28, 2012, for both the Parent Company and the other subsidiary companies.
- for 85 million euros, the decrease in the foreign component mainly related to the impact of the exchange rate change and lower non-recurring charges of the Brazil Business Unit.

- **Other operating income (211 million euros; 933 million euros in 2019):**

(million euros)	2020	2019	Changes
Late payment fees charged for telephone services	46	59	(13)
Recovery of employee benefits expenses, purchases and services rendered	14	50	(36)
Capital and operating grants	34	33	1
Damages, penalties and recoveries connected with litigation	24	20	4
Estimate revisions and other adjustments	59	36	23
Brazil Business Unit's income tax	—	685	(685)
Other income	34	50	(16)
Total	**211**	**933**	**(722)**

The decrease is mainly attributable to the Brazil Business Unit; in fact, other operating income in the year 2019 benefited from 685 million euros from the Brazil Business Unit (classified as non-recurring), connected with the recognition of tax credits consequent to the favorable result of the tax disputes connected to the inclusion of the ICMS indirect tax in the basis of calculation of the taxes on PIS and COFINS revenues.

- **Other operating expenses (961 million euros; 1,625 million euros in 2019):**

(million euros)	2020	2019	Changes
Write-downs and expenses in connection with credit management	423	577	(154)
Provision charges	43	497	(454)
TLC operating fees and charges	199	268	(69)
Indirect duties and taxes	96	124	(28)
Penalties, settlement compensation and administrative fines	120	58	62
Subscription dues and fees, donations, scholarships and traineeships	12	12	—
Sundry expenses	68	89	(21)
Total	**961**	**1,625**	**(664)**

The decrease is mainly attributable to the Domestic Business Unit (-460 million euros) and to the Brazil Business Unit (-205 million euros, of which approximately -130 million euros linked to exchange rate dynamics).

Other operating expenses for the year 2020 include a non-recurring item of 148 million euros, mainly referring to provisions and expenses connected with credit management in connection with the COVID-19 emergency (46 million euros), charges for regulatory sanctions and expenses related to agreements and the development of non-recurring projects. In particular, in relation to credit management, it is noted that the macroeconomic scenario with a sharp reduction in GDP caused by the pandemic worsened the Expected Credit Loss of some of the customers. Consequently, the provision for bad debt was adjusted according to the expected loss differential. With reference to the impairment and expenses connected with credit management, we note that the reduction is the consequence of a program to optimize processes aimed at increasing the efficiency of credit management, all round, intervening on the whole process involving the customer. More specifically, reference is made to the acceptance, management and collection of debt through to the assessment model of the new commercial offers.

The non-recurring component of 2019, amounting to 459 million euros, mainly referred to regulatory disputes and related liabilities and to liabilities with customers and/or suppliers.

Depreciation and amortization

Amounts to 4,616 million euros (4,927 million euros in 2019) and breaks down as follows:

(million euros)	2020	2019	Changes
Amortization of intangible assets with a finite useful life	1,627	1,675	(48)
Depreciation of tangible assets	2,301	2,469	(168)
Amortization of right-of-use assets	688	783	(95)
Total	**4,616**	**4,927**	**(311)**

Net impairment losses on non-current assets

In 2020, the item shows losses of 8 million euros (zero in 2019), mainly following the provisions made by the Parent Company TIM S.p.A for inventory differences for plant warehouse materials held at external company sites.

In preparing the Annual Report for 2020, the TIM Group carried out an impairment test on goodwill. The results of that testing, carried out in accordance with the specific procedure adopted by the Group, confirmed the amounts of Goodwill allocated to the Group's individual Cash Generating Units.

Further details are provided in the Note "Goodwill" to the Consolidated Financial Statements at December 31, 2020 of the TIM Group.

EBIT

TIM Group EBIT for FY 2020 came to **2,104 million euros** (3,175 million euros in FY 2019).

Organic EBIT, net of the non-recurring component, amounted to 2,428 million euros (2,913 million euros in 2019), with an EBIT margin of 15.3% (17.2% in 2019).

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

(million euros)	2020	2019	Changes	
			absolute	%
EBIT	**2,104**	**3,175**	**(1,071)**	**(33.7)**
Foreign currency financial statements translation effect		(324)	324	
Changes in the scope of consolidation		(178)	178	
Non-recurring expenses (income)	324	84	240	
Effect of the conversion of foreign currency non-recurring Charges/(Income)		156	(156)	
ORGANIC EBIT, excluding Non-recurring items	**2,428**	**2,913**	**(485)**	**(16.6)**

The EBIT of the fourth quarter of 2020 totaled 477 million euros (463 million euros in the fourth quarter of 2019).

Organic EBIT net of the non-recurring component in the fourth quarter of 2020 totaled 620 million euros (712 million euros in the fourth quarter of 2019).

Exchange rate fluctuations mainly related to the Brazil Business Unit.

Other income (expenses) from investments

Other income (expenses) from investments amounted to 454 million euros and refer to:

- 441 million euros of net capital gain recognized following the dilution of the TIM Group investment in INWIT S.p.A. capital from 60% to 37.5%, following the merger of INWIT with Vodafone Towers;
- 11 million euros of capital gains deriving from the sale, during the year, of shares for a total of 7.3% of the share capital of INWIT, through an accelerated book-building procedure reserved to institutional investors and sales to an SPV managed and assisted by Canson Capital Partners (Guernsey) Limited;
- 2 million euros relating to income distributed by the Northgate CommsTech Innovations Partners L.P. fund.

Balance of finance income/(expenses)

Financial income (expenses), net was negative and amounted to 1,179 million euros (negative 1,436 million euros in the year 2019): the improvement was mainly driven by lower finance expenses, connected to the reduction in the Group's average debt exposure and a drop in interest rates, as well as the positive effects of the change of some non-monetary items, of a currency and accounting nature, relating to the measurement of derivative instruments at fair value.

Income tax expense

Lower tax income of 5,955 million euros were recorded in 2020 (taxes of 513 million euros in the year 2019).

Tax proceeds mainly relate to the recording of deferred tax assets as a consequence of the tax recognition of higher amounts booked in accordance with Decree Law 104/2020, Art. 110, paragraph 8 and 8 bis (5,877 million euros) for more details see the note on "Income tax (current and deferred)" of the TIM Group Consolidated financial statements as at December 31, 2020. The item also benefited from the positive tax effect due to the lower taxes paid in previous years and generated following the ruling signed on August 3, 2020 with the Italian Revenues Agency for application of the "patent box" facilitation in income tax and IRAP (regional production tax) tax returns for TIM S.p.A. for the years 2015 - 2019 (299 million euros).

In 2019, "income tax expenses" included, amongst others, 233 million euros of tax expense related to the recognition of deferred taxation relating to non-recurring operating income of the Brazil Business Unit.

Profit/(Loss) for the year

This item breaks down as follows:

(million euros)	2020	2019
Profit (loss) for the year	**7,352**	**1,242**
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	7,224	900
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	16
Profit (loss) for the year attributable to Owners of the Parent	**7,224**	**916**
Non-controlling interest:		
Profit (loss) from continuing operations	128	326
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to Non-controlling interest	**128**	**326**

Net profits for 2020 attributable to the Owners of the Parent totaled 7,224 million euros (916 million euros in 2019).

2020

Business Unit

Key operating and financial data

Domestic

REVENUES		EBITDA MARGIN	
12,905	Millions of Euros	43.7%	organic excluding non recurrent

EBITDA		EBITDA ADJUSTED AFTER LEASE	
5,339	Millions of Euros	5,135	Millions of Euros

Fixed

TIM RETAIL PHISICAL ACCESSES	TIM WHOLESALE PHISICAL ACCESSES	BROADBAND ACCESSES TIM RETAIL
end of period 8,767 thousands	end of period 7,974 thousands	end of period 7,635 thousands

Mobile

LINES	AVERAGE MONTHLY REVENUES
end of period 30,170 thousands	Reported ARPU 8.0 Euros

Brazil

REVENUES		EBITDA		EBITDA MARGIN	
2,933	Millions of Euros	1,407	Millions of Euros	48.1%	organic excluding non recurrent

EBITDA ADJUSTED AFTER LEASE		LINES	
1,121	Millions of Euros	51,433	thousands end of period

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

Domestic

(million euros)	2020 (a)	2019 (b)	Changes (a-b) absolute	%	% organic excluding non-recurring
Revenues	12,905	14,078	(1,173)	(8.3)	(7.7)
EBITDA	5,339	5,708	(369)	(6.5)	(7.9)
% of Revenues	*41.4*	*40.5*		*0.9 pp*	*(0.1) pp*
EBIT	1,635	1,887	(252)	(13.4)	(19.2)
% of Revenues	*12.7*	*13.4*		*(0.7)pp*	*(2.1) pp*
Headcount at year end (number) (°)	42,925	45,496	(2,571)	(5.7)	

(°) Includes agency contract workers: 9 units at December 31, 2020 (5 units at December 31, 2019)

(million euros)	Q4 2020 (a)	Q4 2019 (b)	Changes (a-b) absolute	%	organic % excluding non-recurring
Revenues	3,433	3,555	(122)	(3.4)	(3.0)
EBITDA	1,258	1,154	104	9.0	(2.5)
% of Revenues	*36.6*	*32.5*		*4.1 pp*	*0.3pp*
EBIT	323	193	130	67.4	(9.8)
% of Revenues	*9.4*	*5.4*		*4,0pp*	*(1.0)pp*

Fixed

	12.31.2020	12.31.2019	12.31.2018
Total TIM Retail accesses (thousands)	8,767	9,166	10,197
of which NGN (1)	*4,407*	*3,670*	*3,214*
Total TIM Wholesale accesses (thousands)	7,974	8,051	8,063
of which NGN	*4,220*	*3,309*	*2,262*
Active Broadband accesses of TIM Retail (thousands)	7,635	7,592	7,483
Consumer ARPU (€/month) (2)	33.0	34.9	34.0
Broadband ARPU (€/month) (3)	25.4	27.7	26.3

(1) UltraBroadband access in FTTx and FWA mode, also including "data only" lines; continuing with the methodology adopted in 2019, the "data only" lines were also included in the total retail access for 2018.
(2) Revenues from organic Consumer retail services in proportion to the average Consumer accesses.
(3) Revenues from organic broadband services in proportion to the average active TIM retail broadband accesses.

Mobile

	12.31.2020	12.31.2019	12.31.2018
Lines at year-end (thousands)	30,170	30,895	31,818
of which Human	*19,795*	*21,003*	*22,448*
Churn rate (%) (4)	18.6	20.4	26.3
Broadband users (thousands) (5)	12,818	12,823	13,015
Retail ARPU (€/month) (6)	8.0	8.7	9.8
Human ARPU (€/month) (7)	12.1	12.6	13.4

(4) Percentage of total lines that ceased in the period compared to the average number of total lines.
(5) Mobile lines using data services
(6) Revenues from organic retail services (visitors and MVNO not included) in proportion to the average total lines.
(7) Revenues from organic retail services (visitors and MVNO not included) in proportion to the average human lines.

Revenues

The revenues of the Domestic Business Unit amounted to 12,905 million euros, down by 1,173 million euros compared to 2019 (-8.3%), having suffered from the challenging competition and, particularly as regards the Mobile market, the restrictions related to the COVID-19 emergency. Organic revenues, net of the non-recurring component, amounted to 12,944 million euros (-1,081 million euros compared to 2019, -7.7%); in particular, revenues for 2020 were affected by an overall impact of -39 million euros mainly referring to adjustments of revenues connected to TIM S.p.A.'s commercial initiatives to support customers in facing the COVID-19 emergency. In 2019, non-recurring charges for 15 million euros were recorded, attributable to revenue adjustments of previous years.

Domestic Business Unit revenues in the fourth quarter of 2020 amounted to 3,433 million euros, down by 122 million euros compared to the same period of 2019 (-3.4%, -3.0% in organic terms).

Revenues from stand-alone services amounted to 11,605 million euros (-980 million euros compared to 2019, -7.8%) and reflect the impacts of the regulatory and competitive context on the customer base and ARPU levels. Revenues from organic stand-alone services, net of the aforesaid non-recurring components, amounted to 11,643 million euros (-883 million euros compared to 2019, -7.0%).

In detail:

- **revenues from stand-alone Fixed market services** amounted to 8,785 million euros in organic terms, with a change with respect to 2019 (-6.1%) mainly due to the decrease in accesses and ARPU levels, which is also reflected in the trend of revenues from broadband services (-170 million euros compared to 2019, -6.9%), partly offset by the growth in revenues from ICT solutions (+134 million euros compared to 2019, amounting to +15.6%);
- revenues **from mobile market stand-alone services** amounted to 3,378 million euros (-397 million euros compared to 2019, -10.5%) and were affected by the negative impact, on the customer base, of the changed competitive dynamics as well as the effects related to the regulatory environment and those resulting from the limitations imposed on health emergencies. In organic terms, **net of the** aforesaid **non-recurring component,** revenues from Mobile stand-alone services amounted to 3,411 million euros (-330 million euros compared to 2019, equal to -8.8%).

Handset **and Bundle & Handset revenues**, including the changes to work in progress, amounted to 1,301 million euros in 2020, -198 million euros in organic terms compared to 2019, also due to reduced footfall in sales outlets following the restrictive measures related to the COVID-19 emergency.

Key results for 2020 for the Domestic Business Unit are presented in the following table, broken down by market/business segment and compared to 2019.

(million euros)	Q4 2020	Q4 2019	2020	2019	% Change			
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	organic excluding non-recurring	organic excluding non-recurring
Revenues	**3,433**	**3,555**	**12,905**	**14,078**	**(3.4)**	**(8.3)**	**(3.0)**	**(7.7)**
Consumer	1,525	1,625	5,899	6,594	(6.2)	(10.5)	(6.2)	(10.4)
Business	1,104	1,195	4,084	4,624	(7.6)	(11.7)	(7.6)	(11.1)
National Wholesale Market	513	456	1,917	1,843	12.5	4.0	12.5	4.0
International Wholesale Market	262	250	966	947	4.8	2.0	6.5	2.4
Other	29	29	39	70	—	(44.3)	50.0	90.5

The performance of the individual market segments of the Domestic Business Unit compared to 2019 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, net of the** aforesaid **non-recurring component**, the revenues of the Consumer segment totaled 5,908 million euros and show a trend (-686 million euros, -10.4%), compared to 2019, affected by the challenging competition and greater discipline in commercial processes. The trend seen in total revenues also applied to revenues from stand-alone services, which amounted to 5,181 million euros, down by 619 million euros compared to 2019 (-10.7%). In particular:

- revenues **from Mobile stand-alone services** totaled, in organic terms, 2,343 million euros (-226 million euros, -8.8%) compared to 2019; against the backdrop of an unprecedented competitive dynamic at the lower end of the market, there was a more contained reduction in the calling customer base in the fourth quarter. These results also take into account the effects of the COVID-19 emergency on roaming revenues and the gradual reduction of regulated interconnection tariffs on incoming traffic;
- revenues **from Fixed stand-alone services** totaled, in organic terms, 2,871 million euros (-382 million euros, -11.7% compared to 2019), primarily due to lower ARPU levels and the smaller Customer Base, which declined gradually over the course of 2020. The number of broadband customers, particularly UltraBroadBand, grew, and an improvement was achieved in the 2020 performance compared to 2019 of broadband ARPU starting from the third quarter.

Revenues for Handsets and Bundles & Handsets in the Consumer segment amounted to 727 million euros, -67 million euros compared to 2019 (-8.4%), concentrated on the mobile sector following the change in the product sales strategy, focused on protecting margins. The restrictions on circulation due to the COVID-19 health emergency also had an impact on performance: during the lockdown, the volume of smartphones sold fell compared to 2019 and only recovered to normal levels in July.

- **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, starting June 2020, the Noovle Group. In organic **terms, net of** the aforesaid **non-recurring component**, revenues for the Business segment amounted to 4,113 million euros (-512 million euros compared to 2019, -11.1%, of which -8.1% for revenues from the stand-alone services component). In particular:
    - **total Mobile market revenues** showed an organic performance compared to 2019 (-11.8%), linked to the revenues from stand-alone services component (-11.8%) and the ARPU trend;
    - **total Fixed market revenues** in organic terms changed by -386 million euros compared to 2019 (-10.7%), with the revenues from services component (-6.8%) influenced by a price trend partly offset by higher revenues from ICT services.
- **National Wholesale 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. The following companies are included: TI San Marino and Telefonia Mobile Sammarinese. The National Wholesale Market segment revenues in 2020 came to 1,917 million euros, up by 74 million euros (+4.0%) compared to 2019, with a positive performance mainly driven by the growth in accesses in the Ultra Broadband segment.
- **International Wholesale 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 the International Wholesale Market segment for 2020 totaled 966 million euros, showing growth of 19 million euros (+2.0%) on the 2019 figure, with negligible effects on EBITDA. This performance is mainly related to the data business capacity offer.
- **Other:** includes:
    - **INWIT S.p.A.**: operates in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for TIM and other operators. In 2020, the TIM Group's equity investment in INWIT recorded various changes due to the multiple transactions involving the corporate structure, starting with the merger by incorporation of Vodafone Towers S.r.l. into INWIT S.p.A. Further details are provided in the Note on “Equity investments” in the Consolidated Financial Statements of the TIM Group at December 31, 2020. INWIT S.p.A. was presented as "Asset held for sale" from the Consolidated Financial Statements as at December 31, 2019 and until the completion of the aforementioned merger.
    - **Other Operations units**: covering technological innovation and development, engineering, construction and operating processes for network infrastructures, IT, real estate properties and plant engineering; the Flash Fiber company and Open Access operations connected with delivery and assurance of customer services are also included, until September 2019 included in the Wholesale segment and then reclassified following the change in organizational structure;

- **Staff & Other**: services performed by the Staff departments and other support activities carried out by minor companies, including the company Persidera, sold on December 2, 2019 and included in the financial data and cash flows for the first months of 2019.

EBITDA

Domestic Business Unit EBITDA for 2020 totaled 5,339 million euros (-369 million euros compared to 2019, -6.5%), with a margin of 41.4% (+0.9 percentage points compared to the previous year).

Organic EBITDA, net of the non-recurring component, amounted to 5,658 million euros (-486 million euros compared to 2019, -7.9%). In particular, the EBITDA in 2020 fell by -319 million euros, including -108 million euros attributable to the COVID-19 emergency in Italy and mainly relating to the impacts of TIM S.p.A.'s commercial initiatives to support customers, as well as the effects of macroeconomic difficulties on provisions and charges related to credit management. Moreover, non-recurring expenses include charges connected with corporate reorganization/restructuring processes, provisions for disputes, regulatory sanctions and potential liabilities and expenses connected with agreements and the development of non-recurring projects.

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

(million euros)	2020	2019	Changes	
			absolute	%
EBITDA	**5,339**	**5,708**	**(369)**	**(6.5)**
Foreign currency financial statements translation effect	—	(1)	1	
Changes in the scope of consolidation	—	(254)	254	
Non-recurring expenses (Income)	319	691	(372)	
ORGANIC EBITDA, excluding Non-recurring items	**5,658**	**6,144**	**(486)**	**(7.9)**

EBITDA in Q4 2020 was 1,258 million euros, (+104 million euros compared with 2019, 9.0%).

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

(million euros)	2020	2019	Changes
Acquisition of goods and services	5,129	5,042	87
Employee benefits expenses	2,401	2,753	(352)
Other operating expenses	639	1,099	(460)

In particular:

- **Other operating income** amounted to 200 million euros with a decrease of 25 million euros compared to 2019:

(million euros)	2020	2019	Changes
Late payment fees charged for telephone services	40	48	(8)
Recovery of employee benefits expenses, purchases and services rendered	14	50	(36)
Capital and operating grants	32	29	3
Damages, penalties and recoveries connected with litigation	24	20	4
Estimate revisions and other adjustments	59	36	23
Other proceeds	31	42	(11)
Total	**200**	**225**	**(25)**

- **Acquisition of goods and services** amounted to 5,129 million euros with an increase of 87 million euros compared to 2019:

(million euros)	2020	2019	Changes
Acquisition of goods	1,063	1,175	(112)
Revenues due to other TLC operators and interconnection costs	1,191	1,193	(2)
Commercial and advertising costs	868	878	(10)
Professional and consulting services	128	114	14
Power, maintenance and outsourced services	889	884	5
Costs for leased assets	301	263	38
Other	689	535	154
Total Acquisition of goods and services	**5,129**	**5,042**	**87**
% of Revenues	*39.7*	*35.8*	*3.9*

The increase of 87 million euros reflects the effect of the deconsolidation of the company INWIT as of March 31, 2020 and the consequent start of the new Master Service Agreement (MSA) with that company. Excluding these impacts, the item Acquisition of goods and services would show a reduction of 126 million euros, above all in purchases for resale, due to the decrease in volumes sold of mobile terminals, in line with the ongoing repositioning of commercial strategies. The reduction was also affected by restrictions related to the COVID-19 emergency, especially in the mobile area.

- **Employee benefits expenses** amounted to 2,401 million euros with a decrease of 352 million euros compared to 2019:
- **Other operating expenses** amounted to 639 million euros with a decrease of 460 million euros compared to 2019:

(million euros)	2020	2019	Changes
Write-downs and expenses in connection with credit management	329	407	(78)
Provision charges	6	418	(412)
TLC operating fees and charges	44	49	(5)
Indirect duties and taxes	79	89	(10)
Penalties, settlement compensation and administrative fines	120	58	62
Subscription dues and fees, donations, scholarships and traineeships	11	11	—
Sundry expenses	50	67	(17)
Total	**639**	**1,099**	**(460)**

Other operating expenses for the year 2020 include a non-recurring item of 148 million euros, mainly referring to provisions and expenses connected with credit management in connection with the COVID-19 emergency (46 million euros), charges for regulatory sanctions and expenses related to agreements and the development of non-recurring projects. In particular, in relation to credit management, it is noted that the macroeconomic scenario with a sharp reduction in GDP caused by the pandemic worsened the Expected Credit Loss of some of the customers. Consequently, the provision for bad debt was adjusted according to the expected loss differential. With reference to the impairment and expenses connected with credit management, we note that the reduction is the consequence of a program to optimize processes aimed at increasing the efficiency of credit management, all round, intervening on the whole process involving the customer. More specifically, reference is made to the acceptance, management and collection of debt through to the assessment model of the new commercial offers.
The non-recurring component of 2019, amounting to 416 million euros, mainly referred to regulatory disputes and related liabilities and to liabilities with customers and/or suppliers.

EBIT

D**omestic Business Unit EBIT for 2020** totaled 1,635 million euros (-252 million euros compared to 2019, -13.4%), with a margin of 12.7% (-0.7 percentage points compared to the previous year).

Organic EBIT, net of the non-recurring component, amounted to 1,954 million euros (-464 million euros less than 2019, -19.2%), with a margin of 15.1% (17.2% in 2019).

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

(million euros)	2020	2019	Changes	
			absolute	%
EBIT	**1,635**	**1,887**	**(252)**	**(13.4)**
Changes in the scope of consolidation	—	(178)	178	—
Non-recurring expenses (Income)	319	709	(390)	
ORGANIC EBIT, excluding Non-recurring items	**1,954**	**2,418**	**(464)**	**(19.2)**

EBIT in Q4 2020 was 323 million euros, (+130 million euros compared with 2019, +67.4%).

Brazil

	(million euros) 2020	2019	(millions of reais) 2020	2019	Changes		
					absolute	%	organic % excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	2,933	3,937	17,268	17,377	(109)	(0.6)	(0.6)
EBITDA	1,407	2,451	8,282	10,820	(2,538)	(23.5)	3.1
% of Revenues	*48.0*	*62.3*	*48.0*	*62.3*		*(14.3) pp*	*1.7pp*
EBIT	476	1,297	2,801	5,726	(2,925)	(51.1)	(4.7)
% of Revenues	*16.2*	*33.0*	*16.2*	*33.0*		*(16.8) pp*	*(0.7) pp*
Headcount at year end (number)			9,409	9,689	(280)	(2.9)	

The average exchange rates used for the translation into euro (expressed in terms of units of real per 1 euro) were 5.88806 for 2020 and 4.41422 for 2019

	(million euros) Q4 2020	Q4 2019	(millions of reais) Q4 2020	Q4 2019	Changes		
					absolute	%	organic % excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	725	1,007	4,678	4,586	92	2.0	2.0
EBITDA	364	499	2,336	2,298	38	1.7	2.8
% of Revenues	*49.9*	*50.1*	*49.9*	*50.1*		*(0.2)pp*	*0.4pp*
EBIT	156	272	974	1,250	(276)	(22.1)	(19.9)
% of Revenues	*20.8*	*27.3*	*20.8*	*27.3*		*(6.5)pp*	*(5.9) pp*

	2020	2019
Lines at period end (thousands) (*)	51,433	54,447
MOU (minutes/month) (**)	122.7	123.6
ARPU (reais)	24.9	23.7

(*) Includes corporate lines.
(**) Net of visitors.

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

On December 15, 2020, TIM announced that the offer presented by TIM S.A. (the operating company of the TIM Brasil Group) together with Telefônica Brasil S.A. (VIVO) and Claro S.A., had been awarded the contract in the competitive sale process for the purchase of the Oi Group's mobile business. The completion of the transaction, expected in 2021, is in any case subject to the fulfilment of the same conditions precedent provided for in the agreements and the authorizations of the competent Authorities.

The total value of the transaction amounts to 16.5 billion reais (approximately 2.7 billion euros) which is summed with the consideration offered to the Oi Group, of approximately 819 million reais (about 134 million euros), as net present value (NPV) for the Take-or-Pay Data Transmission Capacity Contracts. TIM Brasil will participate in the transaction with an investment of approximately 7.3 billion reais (approximately 1.2 billion euros), to be paid at closing, and 476 million reais relating to TIM Brasil's share of the net present value (NPV) of the contracts. Given the low debt and the favorable market conditions, TIM S.A. believes it can finance the acquisition through cash and the local debt market. However, in the event of any changes in market conditions, TIM S.A. will evaluate all available options.

The purchase plan provides for TIM Brasil, Telefônica Brasil and Claro to divide up Oi's mobile assets and, in particular, its customers, radio frequencies and mobile access infrastructure.

In particular, TIM Brasil will be allocated:

- approximately 14.5 million customers (corresponding to 40% of UPI Ativos Móveis' total customer base), according to Anatel's data of April 2020. The allocation took into consideration criteria that favor competition among the operators present in the Brazilian market;
- approximately 49 MHz as a national average weighted by population (54% of UPI Ativos Móveis radio frequencies). The division of frequencies strictly respects the spectrum limits per group established by Anatel;
- approximately 7.2 thousand mobile access sites (corresponding to 49% of total UPI Ativos Móveis sites).

The transaction, as of its completion, will add value not only to its Brazilian subsidiary but to the whole TIM Group and its shareholders as it will accelerate its growth and increase operating efficiency through relevant synergies. In addition, positive effects are also expected for customers, since improvements in user experience and in the quality of the services offered are expected from the transaction. Finally, the transaction is expected to benefit the entire telecommunications sector in South America, which will be strengthened in its investment capacity, technological innovation, as well as its competitiveness.

In December 2020 the Board of Directors of TIM S.A. approved the formation of a company, in preparation for future segregation of assets and provision of fiber infrastructure services. This process is one of the intermediate steps in the transformation of TIM in the provision of broadband services and aims to create an open fiber infrastructure company attracting a strategic partner that will become a shareholder. The infrastructure company will operate in the wholesale market and providing fiber connectivity services for last-mile and transport network, for all market operators, with TIM S.A. as an anchor customer. This transaction aims to accelerate the growth of the residential broadband business and unlock the value of TIM's infrastructure.

Revenues

Revenues for the year 2020 of the Brazil Business Unit (TIM Brasil Group) totaled 17,268 million reais (17,377 million reais in 2019, -0.6%).

Revenues from services totaled 16,665 million reais (+68 million reais compared to the 16,597 million reais in 2019, +0.4%).
Revenues from product sales totaled 603 million reais (780 million reais in 2019). The trend reflects the impact of closure for two to three months in most of Brazil due to the COVID-19 emergency. The sales policy is still focused more on value than on increasing sales volumes. In particular, the main goals of the new strategy are to increase purchases of new connected devices giving TIM customers access to broadband services on 3G/4G networks and to support new retention offerings for higher-value postpaid customers.

Revenues in Q4 2020 totaled 4,678 million reais, increased by 2.0% on the fourth quarter of 2019 (4,586 million reais).

The **mobile ARPU** for 2020 was 24.9 reais, up from the figure recorded in 2019 (23.7 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.

The **total number of lines as of December 31, 2020** amounted to 51.4 million, -3.0 million compared to December 31, 2019 (54.4 million). The change is entirely attributable to the prepaid segment (-3.4 million) and partially offset by growth in the postpaid segment (+0.4 million), in part due to the consolidation underway in the market for second SIM cards. Post-paid customers represented 42.4% of the customer base as of December 31, 2020, 3.0 percentage points higher than at December 2019 (39.4%).

EBITDA

EBITDA in 2020 was 8,282 million reais (10,820 million reais in 2019) and the margin on revenues was 48.0% (62.3% in 2019).
The EBITDA in 2019 benefited from non-recurring net income of 2,760 million reais as the balance of 3,024 million reais of income related to the recognition of tax credits following the favorable outcome of tax disputes relating to the inclusion of the ICMS indirect tax in the basis for calculating the PIS/COFINS contribution and 264 million reais of non-recurring charges for provisions mainly for regulatory disputes and related liabilities, as well as for

liabilities with customers and/or suppliers, in addition to liabilities in respect of customers and/or suppliers and charges connected with company reorganization/restructuring.

EBITDA in 2020 reflects the non-recurring charges of 27 million reais mainly related to agreements and the development of non-recurring projects.

Organic EBITDA, **net of the non-recurring component**, increased by 3.1% and was calculated as follows:

(millions of reais)	2020	2019	Changes absolute	%
EBITDA	8,282	10,820	(2,538)	(23.5)
Non-recurring expenses (income)	27	(2,760)	2,787	
ORGANIC EBITDA - excluding Non-recurring items	8,309	8,060	249	3.1

The growth is attributable to the improvement in the efficiency of the operating expenses structure during the COVID-19 emergency.
The respective margin on revenues stood at 48.1%, an increase in organic terms of 1.7 percentage points compared to 2019.

EBITDA in the fourth quarter of 2020 was 2,336 million reais, increased by 38 million euros compared with the fourth quarter of 2019.

Net of non-recurring income (expenses), the margin on revenues for the fourth quarter of 2020 was 50.5% (50.1% in the fourth quarter of 2019).

The changes in the main cost items are shown below:

	(million euros)		(millions of reais)		
	2020 (a)	2019 (b)	2020 (c)	2019 (d)	Changes (c-d)
Acquisition of goods and services	1,070	1,450	6,298	6,405	(107)
Employee benefits expenses	236	323	1,392	1,425	(33)
Other operating expenses	318	523	1,874	2,301	(427)
Change in inventories	(8)	(5)	(43)	(20)	(23)

EBIT

EBIT for 2020 was 2,801 million reais (5,726 million reais in 2019).
In 2019, EBIT also benefited from the non-recurring net income of 2,760 million reais recorded at EBITDA level.

Organic EBIT, net of the non-recurring component, in 2020 amounted to 2,828 million reais (2,966 million reais in 2019), with a margin on revenues of 16.4% (17.1% in 2019).

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

(millions of reais)	2020	2019	Changes absolute	%
EBIT	2,801	5,726	(2,925)	(51.1)
Non-recurring expenses (income)	27	(2,760)	2,787	
ORGANIC EBIT - excluding Non-recurring items	2,828	2,966	(138)	(4.7)

The EBIT of the first quarter of 2020 totaled 974 million reais (1,250 million reais in the fourth quarter of 2019).

Net of non-recurring income (expenses), the EBIT margin for the fourth quarter of 2020 was 21.4% (27.3% in the fourth quarter of 2019).

CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

Non-current assets

- **Goodwill**: decreased by 236 million euros, from 23,083 million euros at December 31, 2019 to 22,847 million euros at December 31, 2020, principally due to the effect of the negative exchange difference relative to the goodwill of the Brazil Business Unit[1] (-247 million euros). During 2020, there was also an increase of 11 million euros due to the acquisition of control and related consolidation with the integral method, starting from May 21, 2020, of Noovle S.r.l. and its subsidiaries (Domestic Business Unit).

  Further details are provided in the Note "Goodwill" to the Consolidated Financial Statements at December 31, 2020 of the TIM Group.

- **Intangible assets with a finite useful life**: these fell by 927 million euros, from 7,667 million euros at the end of 2019 to 6,740 million euros at December 31, 2020, representing the balance of the following items:
  - capex (+ 1,197 million euros);
  - amortization charge for the year (-1,627 million euros);
  - other disposals, exchange differences and other changes (for a net negative balance of -497 million euro, of which -496 million euro of exchange differences essentially relating to the Brazil Business Unit).
- **Tangible assets**: these fell by 870 million euros, from 14,011 million euros at the end of 2019 to 13,141 million euros at December 31, 2020, representing the balance of the following items:
  - capex (+2,138 million euros);
  - amortization charge for the year (-2,301 million euros);
  - other disposals, exchange differences and other changes (for a net negative balance of -707 million euro, of which -701 million euro of exchange differences essentially relating to the Brazil Business Unit).
- **Rights of use of third-party assets**: these fell by 502 million euros, from 5,494 million euros at the end of 2019 to 4,992 million euros at December 31, 2020, representing the balance of the following items:
  - investments (+74 million euros) and increases in lease contracts (+1,288 million euros). Increases in lease contracts include 368 million euros, related to the recognition of new rights of use of INWIT S.p.A. assets, following the coming into effect on March 31, 2020 of the new Master Service Agreement (MSA) between TIM S.p.A. and INWIT S.p.A. (now jointly controlled), which regulates hospitality services on INWIT sites;
  - amortization charge for the year (-688 million euros);
  - disposals, exchange differences and other changes (for a negative net balance of -1,176 million euros) including the derecognition of rights of use relative to previous lease agreements stipulated with Vodafone, equal to 266 million euros, as a result of the new Master Service Agreement (MSA) between TIM S.p.A. and INWIT S.p.A. coming into effect. Exchange differences are negative for -466 million euros and mainly relate to the Brazil Business Unit. Other changes included the lower value of the rights of use recorded as a result of contractual changes during the year.
- **Other non-current assets**: increased by 8,961 million euros mainly due to the booking by the Parent Company TIM S.p.A. of deferred tax assets following the tax recognition of higher values booked in accordance with Decree Law 104/2020, Art. 110, paragraph 8 and 8 bis (6,569 million euros). Other non-current assets increased also due to the recording of the investment in the joint venture INWIT (2,713 million euros at December 31, 2020), following its deconsolidation as a result of the dilution by the TIM Group of the investment in the company's capital, consequent to the merger by incorporation of Vodafone Towers S.r.l. into INWIT.

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[1]The spot exchange rate used for the translation into euro of the Brazilian real (expressed in terms of units of local currency per 1 euro) was 6.3768 at December 31, 2020 and 4.52808 at December 31, 2019.

Consolidated equity

Consolidated equity amounted to 28,840 million euros (22,626 million euros at December 31, 2019), of which 26,215 million euros attributable to Owners of the Parent (20,280 million euros at December 31, 2019) and 2,625 million euros attributable to non-controlling interests (2,346 million euros at December 31, 2019). In greater detail, the changes in consolidated equity were the following:

(million euros)	12.31.2020	12.31.2019
At the beginning of the year	**22,626**	**21,747**
Total comprehensive income (loss) for the year	5,836	1,206
Dividends approved by:	(378)	(296)
TIM S.p.A.	*(316)*	*(166)*
Other Group companies	*(62)*	*(130)*
Change in the scope of consolidation	—	(44)
INWIT – deconsolidation	*(644)*	—
Daphne 3 - capital increase	*1,334*	—
Issue of equity instruments	*43*	*4*
Other changes	*23*	*9*
At the end of the year	**28,840**	**22,626**

Cash flows

The Net financial debt carrying amount amounted to 23,326 million euros, down by 4,342 million euros compared to December 31, 2019 (27,668 million euros).

The table below summarizes the main transactions that had an impact on the change in adjusted net financial debt:

Change in adjusted net financial debt

(million euros)	2020 (a)	2019 (b)	Changes (a-b)
EBITDA	6,739	8,151	(1,412)
Capital expenditures on an accrual basis	(3,409)	(3,784)	375
Change in net operating working capital:	772	(549)	1,321
Change in inventories	*20*	*129*	*(109)*
Change in trade receivables and other net receivables	*484*	*—*	*484*
Change in trade payables	*(193)*	*(28)*	*(165)*
Changes of mobile licenses acquisition payable/spectrum	*(110)*	*(18)*	*(92)*
Other changes in operating receivables/payables	*571*	*(632)*	*1,203*
Change in provisions for employee benefits	(628)	(246)	(382)
Change in operating provisions and Other changes	(170)	235	(405)
Net operating free cash flow	**3,304**	**3,807**	**(503)**
Of which Operating Free Cash Flow related to the mobile licenses acquisition/spectrum	*(110)*	*(18)*	*(92)*
% of Revenues	*20.9*	*21.2*	*(0.3) pp*
Sale of investments and other disposals flow	1,294	160	1,134
Share capital increases/reimbursements, including incidental expenses	1,164	10	1,154
Financial investments	(25)	(5)	(20)
Dividends payment	(390)	(279)	(111)
Increases in lease contracts	(1,288)	(1,140)	(148)
Finance expenses, income taxes and other net non-operating requirements flow	283	(1,414)	1,697
Impact of the application of IFRS 16 at 1/1/2019	—	(3,553)	3,553
Reduction/(Increase) in adjusted net financial debt from continuing operations	**4,342**	**(2,414)**	**6,756**
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	—	16	(16)
Reduction/(Increase) in adjusted net financial debt	**4,342**	**(2,398)**	**6,740**

Equity Free Cash Flow

(million euros)	2020	2019	Changes
NET OPERATING FREE CASH FLOW	**3,304**	**3,807**	(503)
Mobile licenses acquisition/spectrum	110	18	92
Financial management	(1,186)	(1,372)	186
Income taxes and other	186	(122)	308
EQUITY FREE CASH FLOW	**2,414**	**2,331**	83

In addition to what has already been described with reference to EBITDA, the change in adjusted net financial debt for the first half of 2020 was particularly impacted by the following:

Capital expenditures and for mobile telephone licenses/spectrum

Capex amounted to 3,409 million euros in 2020 (3,784 million euros in 2019).

Capital expenditures and for mobile telephone licenses/spectrum are broken down by operating segment as follows:

(million euros)	2020		2019		Changes
		% weight		% weight	
Domestic	2,748	80.6	2,912	*77.0*	(164)
Brazil	661	19.4	872	*23.0*	(211)
Other Operations	—	—	—	—	—
Adjustments and eliminations	—	—	—	—	—
Consolidated Total	**3,409**	100.0	**3,784**	*100.0*	**(375)**
% of Revenues	*21.6*		*21.1*		*0.5pp*

In particular:

- the **Domestic Business Unit** posted investments of 2,748 billion euros, -164 million euros, -107 million euros in organic terms, compared to FY 2019, with a view to optimizing processes, particularly as a result of the restrictions imposed by the COVID-19 emergency;
- the **Brazil Business Unit** reported expenditures equal to 661 million euros in 2020 (872 million euros in 2019). Excluding the impact of changes in exchange rates (-218 million euros), capex grew by 7 million euros, mainly to strengthen the mobile UltraBroadBand infrastructure and the development of the fixed broadband business of TIM Live.

Change in net operating working capital

The change in Net operating working capital for FY 2020 reflects a positive change of 772 million euros, mainly as a consequence of the change in trade receivables (+484 million euros) and other changes in operating receivables/payables (+571 million euros).

Change in provisions for employee benefits

These reduce by a total of 628 million euros, primarily due to redundancies and the reclassification to payables of amounts not yet liquidated in relation to redundancy plans, already provisioned during previous years. Further details are provided in the Note on “Provisions for employee benefits” in the Consolidated Financial Statements of the TIM Group at December 31, 2020.

Sale of investments and other disposals flow

In FY 2020, this is positive for 1,294 million euros and mainly benefits from the deconsolidation of INWIT S.p.A., as well as collections deriving from sales by the TIM Group of INWIT shares totaling approximately 7.3% of the share capital. Further details are provided in the Note “Equity investments” to the Consolidated Financial Statements at December 31, 2020 of the TIM Group.

In FY 2019, the flow was positive for 160 million euros and mainly referred to the sale of Persidera S.p.A. (142 million euros), as well as to other sales of equity investments and to disposals of non-current assets taking place within the normal operating cycle.

Share capital increases/reimbursements, including incidental costs

In FY 2020, the flow is positive for 1,164 million euros, mainly as a consequence of the contribution made by shareholders outside the Group to the share capital increases of subsidiaries. More specifically, they include the increase in capital of Daphne 3, a newly-established holding company controlled by TIM and in which TIM has contributed a total of 30.2% of INWIT shares. With this share capital increase, the consortium of institutional investors led by Ardian has taken its percentage stake held in Daphne 3 to 49%.

Increases in lease contracts

In FY 2020, the item amounted to 1,288 million euros (1,140 million euros in 2019).

Increases in lease contracts include the higher value of user rights entered following new lease agreements payable, increases in lease payments and renegotiations of existing agreements.

In particular, in FY 2020 this includes 368 million euros, related to the recognition of new rights of use of INWIT S.p.A. assets, following the new Master Service Agreement (MSA) between TIM S.p.A. and INWIT S.p.A. coming into effect on March 31, 2020.

For further details, see the Note "Rights of use assets" of the Consolidated financial statements at December 31, 2020 of the TIM Group.

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

In 2020 the item had a total positive balance of 283 million euros. It mainly includes outflows relative to financial management components, as well as the payment and reimbursement of income taxes and changes in non-operating payables and receivables.

Sales of receivables to factoring companies

It should be noted that sales without recourse of trade receivables to factoring companies completed during 2020 resulted in a positive effect on the adjusted net financial debt at December 31, 2020 amounting to 1,970 million euros (1,958 million euros at December 31, 2019).

Following the request made by TIM S.p.A. for the Patent box benefit for the five-year period 2015-2019 and the consequent agreement reached with the Revenue Agency for 2015 and that relating to complementary assets for 2016-2019, the benefit of the tax periods 2015 and 2016 was cumulatively included in the IRES and IRAP adjustment declarations for 2016, presented on September 25, 2020, while the benefit for the tax periods 2017 and 2018 was used in the IRES and IRAP declarations for the tax period 2019 send on December 10, 2020. In particular, as regards the IRES, the greater 2016 credit of 123 million euros and the 2019 credit of 180 million euros were requested as refund from the Revenue Agency in the related declarations and then transferred and collected respectively on September 30, 2020 and December 21, 2020.

Net financial debt

Net financial debt is composed as follows:

(million euros)	12.31.2020 (a)	12.31.2019 (b)	Changes (a-b)
Non-current financial liabilities			
Bonds	18,856	19,773	(917)
Amounts due to banks, other financial payables and liabilities	4,799	5,832	(1,033)
Non-current financial liabilities for lease contracts	4,199	4,576	(377)
	27,854	**30,181**	**(2,327)**
Current financial liabilities (*)			
Bonds	988	1,958	(970)
Amounts due to banks, other financial payables and liabilities	2,689	1,224	1,465
Current financial liabilities for lease contracts	631	639	(8)
	4,308	**3,821**	**487**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	655	(655)
Total gross financial debt	**32,162**	**34,657**	**(2,495)**
Non-current financial assets			
Securities other than investments	—	—	—
Non-current financial receivables for lease contracts	(43)	(51)	8
Financial receivables and other financial assets	(2,267)	(2,100)	(167)
	(2,310)	**(2,151)**	**(159)**
Current financial assets			
Securities other than investments	(1,092)	(877)	(215)
Current financial receivables arising from lease contracts	(55)	(58)	3
Financial receivables and other financial assets	(162)	(122)	(40)
Cash and cash equivalents	(4,829)	(3,138)	(1,691)
	(6,138)	**(4,195)**	**(1,943)**
Financial assets relating to Discontinued operations/Non-current assets held for sale	—	(65)	65
Total financial assets	**(8,448)**	**(6,411)**	**(2,037)**
Net financial debt carrying amount	**23,714**	**28,246**	**(4,532)**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(388)*	*(578)*	*190*
Adjusted net financial debt	**23,326**	**27,668**	**(4,342)**
Breakdown as follows:			
Total adjusted gross financial debt	**30,193**	**32,782**	**(2,589)**
Total adjusted financial assets	**(6,867)**	**(5,114)**	**(1,753)**
(*) of which current portion of medium/long-term debt:			
Bonds	*988*	*1,958*	*(970)*
Amounts due to banks, other financial payables and liabilities	*1,541*	*446*	*1,095*
Current financial liabilities for lease contracts	*628*	*639*	*(11)*

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

In addition, to determine its exposure to interest rates, the Group sets an optimum composition for the fixed-rate and variable-rate debt structure and uses derivative financial instruments to achieve that composition. Taking into account the Group's operating activities, the optimum mix of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, at a range of 65%–75% for the fixed-rate component and 25%–35% for the variable-rate component.

In managing market risks, the Group has adopted Guidelines for the "Management and control of financial risk" and mainly uses IRS and CCIRS derivative financial instruments.

To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed "Net financial debt carrying amount"), the TIM Group reports a measure called "Adjusted net financial debt", which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

For further details, see the "Alternative performance indicators" chapter.

Adjusted net financial debt was 23,326 million euros as of December 31, 2020**, 4,342 million euros lower than on December 31, 2019** (27,668 million euros). The reduction was due in part to solid generation of free cash flow, obtained in part by optimization of working capital, which allowed payment of dividends on ordinary and savings shares of TIM S.p.A. for total 316 million euros (as compared with 166 million euros paid in 2019 to savings shares only), payment of the installment for the 5G license (110 million euros), as well as the effects of the INWIT transaction. In particular, with regard to INWIT we point out the deconsolidation of the company's debt (643 million euros compared to December 31, 2019) which broadly compensated for new debts for leases to INWIT, now under joint control (368 million euros), after the ending of financial lease contracts with Vodafone (214 million euros), the collection of dividends (256 million euros, of which 214 million euros was in extraordinary dividends) and the sale of 4.3% of the holding (400 million euros). On October 2, 2020, disposals were made by TIM S.p.A. to Daphne 3 S.p.A. of 14.8% of the investment in INWIT (1,345 million euros) and to Canson of 1.2% of the investment in INWIT (109 million euros). On December 4, 2020, following the exercise of an option maturing at year-end, TIM S.p.A. sold the remaining share held in INWIT, equal to 1.8% (161 million euros) to Canson. Therefore, following these transactions, as at December 31, 2020, INWIT was held 30.2% by Daphne 3 S.p.A., a subsidiary held 51% by TIM S.p.A.

Additionally, following the request made by TIM S.p.A. for the Patent box benefit for the five years 2015-2019, 303 million euros has already been collected.

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)	12.31.2020 (a)	12.31.2019 (b)	Changes (a-b)
Net financial debt carrying amount	**23,714**	**28,246**	**(4,532)**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(388)*	*(578)*	*190*
Adjusted net financial debt	**23,326**	**27,668**	**(4,342)**
Leasing	*(4,732)*	*(5,204)*	*472*
Leasing – Discontinued operations/Non-current assets held for	—	*(571)*	*571*
Adjusted net financial debt - After Lease	**18,594**	**21,893**	**(3,299)**

Net financial debt carrying amount amounted to 23,714 million euros at December 31, 2020, a decrease of 4,532 million euros compared to December 31, 2019 (28,246 million euros). Reversal of the fair value measurement of derivatives and related financial liabilities/assets recorded a change of 190 million euros compared to December 31, 2019 substantially following the fall in US dollar interest rates and the relevant revaluation of hedging on US currency bonds. This change is adjusted by the booked Financial Debt with no monetary effect.

Adjusted Net Financial Debt – After Lease (net of the impact of all leases), which is a parameter adopted by main European peers, was equal to 18,594 million euros at December 31, 2020, down by 3,299 million euros compared to December 31, 2019 (21,893 million euros). The reduction is lower than shown in the Adjusted net financial debt, as the effects of the deconsolidation/new payables due to IFRS 16 in relation to the INWIT transaction, and the effects of the exchange rate on the payables due to IFRS 16 in Brazil, are not taken into account.

Gross financial debt

Bonds

Bonds at December 31, 2020 totaled 19,844 million euros (21,731 million euros at December 31, 2019). Repayments totaled a nominal 19,249 million euros (21,162 million euros at December 31, 2019).

Changes in bonds over 2020 are shown below:

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 719 million euros 4.000% (1)	Euro	719	21-Jan-20
TIM S.A. 1,000 million BRL 104.10% CDI	BRL	1,000	15-Jul-20
Telecom Italia S.p.A. 547 million euros 4.875% (2)	Euro	547	25-Sep-20

(1) Net of buy-backs totaling 281 million euros made by the company in 2015.
(2) Net of buy-backs totaling 453 million euros made by the company in 2015.

With reference to Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, the nominal amount at December 31, 2020 was 217 million euros, up by 12 million euros compared to December 31, 2019 (205 million euros).

Revolving Credit Facility and Term Loan

The following table shows committed credit lines available at December 31, 2020.

(billion euros)	12.31.2020		12.31.2019	
	Agreed	Drawn down	Agreed	Drawn down
Revolving Credit Facility – maturing January 2023	5.0	–	5.0	-
Bridge to Bond Facility – maturing May 2021	1.7	–	—	-
Total	**6.7**	–	**5.0**	**-**

At December 31, 2020, TIM had bilateral Term Loans for 1,500 million euros with various banking counterparties and overdraft facilities for 490 million euros, drawn down for the full amount.

On May 18, 2020 TIM created a new credit line, structured as a bridge to bond, for later issuing on the bond market, for 1.7 billion euros and initially maturing after 12 months, with the option of extension for another 12 months.

On January 18, 2021, TIM issued its first 8-year Sustainability Bond for an amount of 1 billion euros, coupon 1.625%.

On January 19, 2021, TIM decided to totally cancel the unused 1.7 billion euro Bridge to Bond line.

Maturities of financial liabilities and average cost of debt

The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities due within 12 months) was 9.74 years.

The average cost of the Group's debt, considered as the cost for the year calculated on an annual basis and resulting from the ratio of debt-related expenses to average exposure, stood at approximately 3.7%, while the average cost of the Group's debt "After Lease" was equal to approximately 3.4%.

For details on the maturities of financial liabilities in terms of expected nominal repayment amounts, as contractually agreed, see the Notes "Financial liabilities (non-current and current)" in the Consolidated Financial Statements at December 31, 2020 of the TIM Group.

Current financial assets and liquidity margin

The TIM Group's available **liquidity margin** amounted to 12,621 million euros, equal to the sum of:

- "Cash and cash equivalents" and "Current securities other than investments" for a total of 5,921 million euros (4,015 million euros at December 31, 2019);
- the totals for the Revolving Credit Facility, of 5,000 million euros, and the Bridge to Bond Facility, of 1,700 million euros, fully available.

This margin is sufficient to cover Group financial liabilities (current and otherwise) falling due over the next 30 months.

In particular:

Cash and cash equivalents amounted to 4,829 million euros (3,138 million euros at December 31, 2019). The different technical forms of investing available cash can be analyzed as follows:

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

Current securities other than investments amounted to 1,092 million euros (877 million euros at December 31, 2019): These forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They included a total of 320 million euros of Italian and European treasury bonds held by Telecom Italia Finance S.A., 447 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash, and 325 million euros of investments in monetary funds by the Brazil Business Unit. The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in "Sovereign debt securities", have been made in accordance with the Guidelines for the "Management and control of financial risk" adopted by the TIM Group.

In the fourth quarter of 2020, **adjusted net financial debt** amounted to 23,326 million euros, down by 2,143 million euros compared to September 30, 2020 (25,469 million euros): the improvement is due to positive cash generation and the transaction involving the INWIT shares, described previously.

(million euros)	12.31.2020 (a)	30.9.2020 (b)	Changes (a-b)
Net financial debt carrying amount	**23,714**	**25,632**	**(1,918)**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(388)*	*(163)*	*(225)*
Adjusted net financial debt	**23,326**	**25,469**	**(2,143)**
Breakdown as follows:			
Total adjusted gross financial debt	**30,193**	**30,319**	**(126)**
Total adjusted financial assets	**(6,867)**	**(4,850)**	**(2,017)**

ALTERNATIVE PERFORMANCE MEASURES

In this Report on Operations, in the TIM Group Consolidated Financial Statements and in the Separate Financial Statements of the Parent, TIM S.p.A., for the year ended December 31, 2020, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for a better understanding of the TIM Group performance of operations and financial position. Such measures, which are presented in the periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS.

In particular, following the adoption of IFRS 16, the TIM Group also presents the following additional alternative performance indicators:

- **EBITDA adjusted After Lease ("EBITDA-AL")**, calculated by adjusting the Organic EBITDA, net of the non-recurring items, from the amounts connected with the accounting treatment of the lease contracts according to IFRS 16. This financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level) and of the Parent, TIM S.p.A., in addition to EBIT;
- **Adjusted net financial debt After Lease**, calculated by excluding from the adjusted net financial debt the net liabilities related to the accounting treatment of lease contracts according to IFRS 16. TIM believes that the Adjusted net financial debt After Lease represents an indicator of the ability to meet its financial obligations;
- **Equity Free Cash Flow After Lease**, calculated by excluding from the Equity Free Cash Flow the amounts related to lease payments. In particular, this measure is calculated as follows:

+	Equity Free Cash Flow
-	Principal share of lease charges

This financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors) and is a useful indicator of the ability to generate Free Cash Flow.

The other alternative performance measures used are described below:

- **EBITDA**: this financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level) and of the Parent, TIM S.p.A., in addition to **EBIT**. These measures are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments (1)
+/-	Share of profits (losses) of associates and joint ventures accounted for using the equity method (2)
EBIT - Operating profit (loss)	
+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Depreciation and amortization
EBITDA – Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets	

(1)"Expenses (income) from investments" for TIM S.p.A..

(2) Line item in Group consolidated financial statements only.

- **Organic change and impact of the non-recurring items on revenues, EBITDA and EBIT**: these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation, the exchange differences and the non-recurring events and transactions. TIM believes that this method of presentation provides a more complete and effective interpretation of the Group's operating performance (as a whole and with reference to the Business Units) and of the Parent; it is therefore also used in the presentations to analysts and investors. This Report on Operations provides a reconciliation between the "reported figure" and the "organic excluding the non-recurring component" figure.
- **EBITDA margin and EBIT margin**: TIM believes that these margins represent useful indicators of the ability of the Group, as a whole and at Business Unit level, and of the Parent to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted into EBITDA and EBIT, respectively. Such indicators are used by TIM in internal presentations (business plans) and in external presentations (to analysts and investors) in order to illustrate the results from operations also through the comparison of the operating results of the financial year being reported with those of the previous years.
- **Net financial debt**: TIM believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. The Report on Operations includes two tables showing the amounts taken from the statements of financial position and used to calculate the Net Financial Debt of the Group and Parent.

  To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed "Net financial debt carrying amount"), the TIM Group reports a measure called "Adjusted net financial debt", which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

Net financial debt is calculated as follows:

+	Non-current financial liabilities
+	Current financial liabilities
+	Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale
A)	**Gross financial debt**
+	Non-current financial assets
+	Current financial assets
+	Financial assets relating to Discontinued operations/Non-current assets held for sale
B)	**Financial assets**
C=(A - B)	**Net financial debt carrying amount**
D)	**Reversal of fair value measurement of derivatives and related financial liabilities/assets**
E=(C +D)	**Adjusted net financial debt**

- **Equity Free Cash Flow (EFCF)**: this financial measure is used by TIM as the financial target in internal presentations (business plans) and external presentations (to analysts and investors), shows cash generation and is intended as the net cash flow before payments relating to dividend and investments in frequencies. Therefore, it represents the Free Cash Flow available for dividend payments, debt repayment, impacts of leasing transactions and investment in frequencies. This measure excludes the financial impact of any acquisition and/or disposal of equity investments.

The Equity Free Cash Flow measure is calculated as follows:

+	Operating Net Free Cash Flow
-	Impact for leasing
-	Payment of licenses
-	Financial impact of acquisitions and/or disposals of shareholdings
-	Dividend payment and Change in Equity

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TIM S.p.A.

€400,000,000 6.875 per cent. Notes due 15 February 2028 (to be consolidated and form a single series with the €850,000,000 6.875 per cent. Notes due 15 February 2028 issued on 27 January 2023)

Global Coordinator and Physical Bookrunner

Goldman Sachs International

INFORMATION MEMORANDUM

6 April 2023