IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached exchange offer memorandum (the "**Exchange Offer Memorandum**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Exchange Offer Memorandum. In accessing the Exchange Offer 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 Banco Santander, S.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, J.P. Morgan SE, MUFG Securities (Europe) N.V., Société Générale and UniCredit Bank GmbH (the "**Dealer Managers**"), TIM S.p.A. ("**TIM**," or "**TIM Guarantor**"), Telecom Italia Finance ("**TIF**" or the "**Issuer**"), Optics Bidco S.p.A. ("**Optics**") and Kroll Issuer Services Limited (the "**Exchange and Information Agent**") as a result of such access. Capitalized terms used but not otherwise defined in this disclaimer shall have the meaning given to them in this Exchange Offer Memorandum.

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 EUR NEW NOTES AND EUR OPTICS NOTES (EACH AS DEFINED BELOW) 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 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 EXCHANGE OFFER 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 EXCHANGE OFFER MEMORANDUM OR THIS TRANSMISSION IN WHOLE OR IN PART IS UNAUTHORIZED. 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 AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE EXCHANGE OFFER MEMORANDUM.

THIS EXCHANGE OFFER MEMORANDUM IS NOT A PROSPECTUS FOR THE PURPOSES OF REGULATION (EU) 2017/1129 (AS AMENDED, THE "**EU PROSPECTUS REGULATION**") OR REGULATION (EU) 2017/1129 AS IT FORMS PART OF THE UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (THE "**UK PROSPECTUS REGULATION**") OR ANY IMPLEMENTING LEGISLATION OR RULES RELATING THERETO.

Confirmation of your Representation: In order to be eligible to view the attached Exchange Offer Memorandum or participate in the EUR TIF Exchange Offer (as defined below), you must be able to participate lawfully in the invitation by the Issuer to holders of its €1,050,000,000 7.750 % Guaranteed Notes due January 24, 2033 (the "**EUR TIF Original Notes**") to offer their EUR TIF Original Notes for exchange by the Issuer (the "**EUR TIF Exchange Offer**") on the terms and subject to the conditions set out in this Exchange Offer Memorandum, including the offer and distribution restrictions set out in this Exchange Offer Memorandum. This Exchange Offer Memorandum was sent at your request and by accessing this Exchange Offer Memorandum you shall be deemed (in addition to the above) to have represented to the Issuer, TIM Guarantor, Optics, the Dealer Managers and the Exchange and Information Agent that:

(i) you are a holder or a beneficial owner of the EUR TIF Original Notes;

(ii) you are not a "U.S. person" as defined in Regulation S under the U.S. Securities Act;

(iii) you are otherwise a person to whom it is lawful to send the Exchange Offer Memorandum or to make an invitation pursuant to the EUR TIF Exchange Offer under applicable laws;

(iv) you are a “Qualified Investor” within the meaning of Article 2(e) of the Prospectus Regulation (as defined below), if resident in a Member State of the EEA and not an EEA retail investor;

(v) you are a “Qualified Investor” within the meaning of Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, if resident in the United Kingdom and not a UK retail investor;

(vi) you are not, nor are acting on behalf of, a Sanctions Restricted Person (as defined in this Exchange Offer Memorandum), provided that this representation shall only apply if and to the extent that it would not result in a violation or breach of, or conflict with, (a) Council Regulation (EC) No 2271/96 of November 22, 1996 (or any law or regulation implementing such Regulation in any member state of the European Union, including Section 7 of the German Foreign Trade Ordinance (*Außenwirtschaftsverordnung*)); (b) any similar blocking or anti-boycott law of the United Kingdom (including, without limitation, Council Regulation (EC) No 2271/96 as it forms a part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018); and

(vii) you consent to delivery of the Exchange Offer Memorandum by electronic transmission to you.

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

If you have sold or otherwise transferred all of your EUR TIF Original Notes, please forward the Exchange Offer Memorandum to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee, provided (a) the Exchange Offer Memorandum may be lawfully delivered to such person in accordance with the laws of the jurisdiction where such person is located or resident and (b) such person confirms the representations given in (i) to (vii) above.

THE EXCHANGE OFFER MEMORANDUM SHOULD NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND SAVE AS REFERRED TO IN THE PREVIOUS PARAGRAPH, SHOULD NOT BE FORWARDED OR DISTRIBUTED TO ANY PERSON OTHER THAN THE RECIPIENT. ANY SUCH FORWARDING OR DISTRIBUTION OR ANY REPRODUCTION OF THE EXCHANGE OFFER MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS RESTRICTION MAY RESULT IN A VIOLATION OF THE APPLICABLE LAWS OF CERTAIN JURISDICTIONS.

You are otherwise reminded that the Exchange Offer Memorandum has been sent to you on the basis that you are a person into whose possession the Exchange Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located or resident and, except as specified above, you may not, nor are you authorized to, deliver the Exchange Offer Memorandum to any other person.

The communication of the Exchange Offer Memorandum and any other documents or materials relating to the EUR TIF Exchange Offer are not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to persons in the United Kingdom who are Investment Professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”)) or within Article 49(2)(a) to (d) of the Order, or any other persons to whom it may otherwise lawfully be made under the Order (such persons together being the “**Relevant Persons**”). **The Exchange Offer Memorandum is only available to Relevant Persons and the**

transactions contemplated herein will be available only to, or engaged in only with, Relevant Persons, and this financial promotion must not be relied or acted upon by persons other than Relevant Persons.

None of the EUR TIF Exchange Offer, this Exchange Offer Memorandum or any other documents or materials relating to the EUR TIF Exchange Offer has been submitted to the clearance procedures of the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian laws and regulations. The EUR TIF Exchange Offer is being carried out in the Republic of Italy ("**Italy**") as an exempted offer pursuant to Article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of February 24, 1998, as amended and supplemented (the "**Italian Financial Services Act**") and Article 35-*bis*, paragraphs and 3 and 4, of CONSOB Regulation No. 11971 of May 14, 1999, as amended and supplemented ("**Issuers' Regulation**"). Holders or beneficial owners of the EUR TIF Original Notes may offer for exchange their EUR TIF Original Notes in the EUR TIF Exchange Offer through authorized persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 20307 of February 15, 2018, as amended and supplemented ("**CONSOB Regulation on Intermediaries**") and Legislative Decree No. 385 of September 1, 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority. Each intermediary must comply with the applicable laws and regulations concerning information duties vis-à-vis its clients in connection with the EUR TIF Original Notes, the EUR TIF Exchange Offer or this Exchange Offer Memorandum.

MiFID II Product Governance/Professional Investors and ECPs Only Target Market: Solely for the purposes of the manufacturers' product approval process, the target market assessment in respect of the Notes (as defined below) has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the 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 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 the manufacturers' product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is 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 EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the 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 Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors: The 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 (the "**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 MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, 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 (as amended, 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 Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors: The 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 (the "**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 European

Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a consumer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**"), and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that consumer 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 ("**UK MiFIR**"); 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 Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The distribution of the Exchange Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession the Exchange Offer Memorandum comes are required by the Issuer, TIM Guarantor, Optics, the Dealer Managers, the Exchange and Information Agent to inform themselves about, and to observe, any such restrictions.

THIS MEMORANDUM IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. This exchange offer memorandum (the "**Exchange Offer Memorandum**") contains important information which should be read carefully before any decision is made to participate in the EUR TIF Exchange Offer (as defined below). If you are in any doubt as to the action you should take, you are recommended to seek your own legal, regulatory, tax, business and investment advice immediately from your own advisers, and financial advice immediately from your stockbroker, bank manager, accountant or other independent financial adviser. Any individual or company whose EUR TIF Original Notes (as defined below) are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if they wish to participate in the EUR TIF Exchange Offer. None of TIM S.p.A. ("**TIM**" or "**TIM Guarantor**"), Telecom Italia Finance ("**TIF**" or the "**Issuer**"), Banco Santander, S.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, J.P. Morgan SE, MUFG Securities (Europe) N.V., Société Générale and UniCredit Bank GmbH (together, the "**Dealer Managers**"), or Kroll Issuer Services Limited (the "**Exchange and Information Agent**") makes any recommendation as to whether or not holders of EUR TIF Original Notes should participate in the EUR TIF Exchange Offer. This Exchange Offer Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. If you have recently sold or otherwise transferred your entire holding of EUR TIF Original Notes, you should immediately return this Exchange Offer Memorandum to the bank or other agent from whom you received it.

*The EUR TIF Exchange Offer is not being made within, and this Exchange Offer Memorandum is not for distribution into, the United States of America (the "**United States**") or to any person resident or located in any jurisdiction where it is unlawful to distribute this document. The distribution of this Exchange Offer Memorandum in certain jurisdictions may be restricted by the laws of those jurisdictions.*

EXCHANGE OFFER MEMORANDUM DATED APRIL 18, 2024

INVITATION BY

Telecom Italia Finance

(incorporated with limited liability under the laws of the Grand-Duchy of Luxembourg)

to Eligible Holders to offer to exchange

the securities listed below up to the Total Cap (as defined herein)

EUR TIF Original Notes	ISIN/Common Code	Aggregate Principal Amount Outstanding	EUR Minimum Series Exchange Condition	EUR Exchange Consideration (1)	Participation Premium (per €1,000 of EUR TIF Original Notes) (2)
€1,050,000,000 7.750 per cent. Guaranteed Notes due January 24, 2033 (the "**EUR TIF Original Notes**")	XS0161100515/016110051	€1,015,000,000	€300,000,000	€1,000 principal amount of EUR TIF New Notes per €1,000 of EUR TIF Original Notes	€2.50

(1) The principal amount of EUR TIF Original Notes offered for exchange by an Eligible Holder (as defined below) may be subject to pro-ration to comply with the Final Series Acceptance Amount (as defined herein), as applicable. The EUR TIF New Notes (and, upon the occurrence of the Acquisition Closing Date (as defined herein), the EUR Optics (TIF) Notes (as defined below), (if any) will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. TIF will not accept for exchange any offer that would result in the issuance of less than €100,000 in principal amount of EUR TIF New Notes to a Participating Holder (as defined below). As a result, a Holder will be unable to participate in the EUR TIF Exchange Offer if such holder's ownership of EUR TIF Original Notes is not at a sufficient level to meet these minimum requirements.

(2) Participating Holders will be entitled to receive the Participation Premium (as defined below) in cash to the extent its EUR TIF Original Notes are accepted and exchanged as part of the EUR TIF Exchange Offer. The Participation Premium shall be payable on the EUR Settlement Date (as defined below) in respect of such EUR TIF Original Notes accepted by TIF and exchanged.

For

an equal aggregate principal amount of new 7.750 per cent. Guaranteed Notes due January 24, 2033 (the "**EUR TIF New Notes**") to be issued by Telecom Italia Finance ("**TIF**" or the "**Issuer**") and guaranteed by TIM S.p.A. ("**TIM**" or "**TIM Guarantor**") with terms substantially the same as the terms of the EUR TIF Original Notes, including maturity, interest rate, interest payment dates and restrictive covenants and except for provisions relating to the minimum denominations and the EUR TIF Mandatory Acquisition Exchange (as defined below) as described elsewhere in this Exchange Offer Memorandum upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum and, if such EUR TIF Original Notes are validly offered for exchange (and not validly withdrawn) on or prior to the EUR Expiration Time (as defined below) and accepted, a cash amount of €2.50 per €1,000 of accepted and exchanged EUR TIF Original Notes (the "**Participation Premium**") shall be payable on the EUR Settlement Date (as defined below).

Summary of Key Features of the EUR TIF Exchange Offer

In connection with their participation in the EUR TIF Exchange Offer, each Eligible Holder of the EUR TIF New Notes hereby agrees in advance without further action on its part that its EUR TIF New Notes will (a) if the Acquisition (as defined herein) is or will be consummated on or prior to the Longstop Date (as defined herein), on the date the Acquisition is consummated, be mandatorily exchanged for an equal aggregate principal amount of new 7.750 per cent. Notes due January 24, 2033 (the "**EUR Optics (TIF) Notes**") to be issued by Optics Bidco S.p.A. ("**Optics**") with terms substantially the same as the terms of the EUR TIF New Notes including maturity, interest rate, interest payment dates and other material terms, except for the provisions relating to them being secured and certain other provisions as set forth in the relevant description of such EUR Optics (TIF) Notes included elsewhere in this Exchange Offer Memorandum, or (b) if the Acquisition is not or will not be consummated on or prior to the Longstop Date, remain outstanding as a separate series not fungible with the EUR TIF Original Notes not validly offered or otherwise accepted as part of the EUR TIF Exchange Offer, each on the terms set forth herein.

THE EUR TIF EXCHANGE OFFER WILL EXPIRE AT 5:00 PM (CET) ON MAY 1, 2024, UNLESS EXTENDED, RE-OPENED OR TERMINATED BY TIF, AS PROVIDED IN THIS EXCHANGE OFFER MEMORANDUM (SUCH DATE AND TIME, AS MAY BE EXTENDED, THE "EUR EXPIRATION TIME"). ANY PARTICIPATING HOLDER (AS DEFINED BELOW) WILL, TO THE EXTENT THEIR EUR TIF ORIGINAL NOTES ARE ACCEPTED BY TIF, BE ENTITLED TO RECEIVE THE PARTICIPATION PREMIUM ON THE EUR SETTLEMENT DATE. SUBJECT TO THE TERMS AND CONDITIONS HEREIN, ELIGIBLE HOLDERS (AS DEFINED BELOW) MUST VALIDLY OFFER FOR EXCHANGE THEIR RELEVANT EUR TIF ORIGINAL NOTES ON OR PRIOR TO THE EUR EXPIRATION TIME, AND NOT VALIDLY WITHDRAW THEIR RELEVANT EUR TIF ORIGINAL NOTES, TO BE ELIGIBLE TO RECEIVE THE EUR TIF NEW NOTES AND THE PARTICIPATION PREMIUM ON THE EUR SETTLEMENT DATE. THE DEADLINES SET BY ANY CUSTODIAN, INTERMEDIARY OR CLEARING SYSTEM MAY BE EARLIER THAN THESE DEADLINES. ONLY DIRECT PARTICIPANTS (AS DEFINED HEREIN) MAY SUBMIT INSTRUCTIONS. EACH ELIGIBLE HOLDER THAT IS NOT A DIRECT PARTICIPANT MUST ARRANGE FOR THE DIRECT PARTICIPANT THROUGH WHICH SUCH ELIGIBLE HOLDER HOLDS ITS EUR TIF ORIGINAL NOTES TO SUBMIT AN INSTRUCTION ON ITS BEHALF TO THE RELEVANT CLEARING SYSTEM BEFORE THE DEADLINES SPECIFIED BY THE RELEVANT CLEARING SYSTEM, WHICH MAY BE EARLIER THAN THE DEADLINES SPECIFIED IN THIS EXCHANGE OFFER MEMORANDUM. INSTRUCTIONS ARE IRREVOCABLE, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THIS EXCHANGE OFFER MEMORANDUM.

The Concurrent EUR TIM Exchange Offers and USD Exchange Offers

Concurrently with the launch of this EUR TIF Exchange Offer (as defined below), (i) Telecom Italia S.p.A. ("**TIM**") has launched exchange offers (the "**EUR TIM Exchange Offers**" and, together with this EUR TIF Exchange Offer,

the “**EUR Exchange Offers**”) in respect of the EUR TIM Original Notes (as defined below), as further described in the exchange offer memorandum relating to the EUR TIM Exchange Offers (the “**EUR TIM Exchange Offer Memorandum**”) and (ii) Telecom Italia Capital (“**TICAP**”) has launched an exchange offer (the “**USD Exchange Offers**” and, together with this EUR TIF Exchange Offer and the EUR TIM Exchange Offers, the “**Exchange Offers**”) in respect of the USD Original Notes (as defined below), whose combined aggregate outstanding principal amount is $4.0 billion, as further described in the exchange offer memorandum relating to the USD Exchange Offers (the “**USD Exchange Offer Memorandum**”).

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, the EUR TIM Exchange Offer Memorandum and the USD Exchange Offer Memorandum, TIM, TIF and TICAP are inviting holders to offer for exchange their EUR TIM Original Notes, EUR TIF Original Notes and /or USD Original Notes in an aggregate principal amount up to €5.0 billion to be accepted across the Exchange Offers in the sole discretion of TIM, TIF and/or TICAP, as applicable (the “**Total Cap**”) for an equal aggregate principal amount of corresponding EUR TIM New Notes, EUR TIF New Notes and/or USD New Notes. TIM, TIF and TICAP (acting together) reserve the right, but are not obligated, to increase the Total Cap in their sole and absolute discretion, subject to applicable laws, and Holders of EUR TIF Original Notes will not be entitled to any revocation rights as a result of such increase.

Summary of Certain Key Terms of the EUR TIF Exchange Offer

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, TIF is hereby inviting Eligible Holders to offer for exchange their EUR TIF Original Notes (the “**EUR TIF Initial Exchange**”) for an equal aggregate principal amount of the corresponding EUR TIF New Notes subject to the Total Cap.

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, the EUR TIF Exchange Offer is conditional upon valid offers for exchange being received from (and not being validly withdrawn by) Eligible Holders of EUR TIF Original Notes and accepted in the EUR TIF Exchange Offer in a sufficient aggregate principal amount such that at least €300,000,000 in aggregate principal amount of EUR TIF New Notes would be issued by TIF and guaranteed by TIM upon consummation of the EUR TIF Initial Exchange, (the “**EUR Minimum Series Exchange Condition**”). TIF may elect, in its sole discretion, to increase, decrease or waive the EUR Minimum Series Exchange Condition with respect to the EUR TIF Original Notes and Holders will not be entitled to any revocation rights as a result of any such decrease, increase or waiver. Accordingly, Holders should not rely on the EUR Minimum Series Exchange Condition in making their decision as to whether to offer their EUR TIF Original Notes for exchange in the EUR TIF Exchange Offer. The EUR TIF Exchange Offer is also subject to the satisfaction or waiver of certain additional general conditions, each as described in this Exchange Offer Memorandum. See “*Conditions of the EUR TIF Exchange Offer*” beginning on page 18.

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, if TIF decides, in its sole discretion, to accept for exchange valid offers to exchange EUR TIF Original Notes pursuant to the EUR TIF Exchange Offer, the final acceptance amount for the EUR TIF Original Notes (the “**Final Series Acceptance Amount**”) will be determined by TIF in its sole and absolute discretion and will be announced by TIF as soon as reasonably practicable following the EUR Expiration Time. For the avoidance of doubt, TIF will determine the Final Series Acceptance Amount in its sole and absolute discretion. In the event that the principal amount of the EUR TIF Original Notes validly offered for exchange (and not validly withdrawn) exceeds the Final Series Acceptance Amount, offers to exchange in respect of the EUR TIF Original Notes are to be accepted by TIF on a pro rata basis and, for the purposes of such acceptance, will be scaled by a factor (a “**Pro-Ration Factor**”) equal to (i) the Final Series Acceptance Amount, divided by (ii) the aggregate principal amount of EUR TIF Original Notes that have been validly offered (and not validly withdrawn) for exchange (subject to adjustment to allow for the aggregate principal amount of the EUR TIF Original Notes accepted for exchange to equal the Final Series Acceptance Amount). Each such offer to exchange will be rounded up or down to the nearest €1,000 in principal amount, after application of the Pro-Ration Factor, subject to the minimum denominations and Minimum Exchange Amount (as defined below) as set out herein.

If application of the Pro-Ration Factor will result in either (i) the relevant Noteholder who is transferring EUR TIF Original Notes to TIF receiving less than the minimum denomination of the EUR TIF New Notes on exchange or (ii) EUR TIF Original Notes in a principal amount of less than €1,000 being returned to a Noteholder, then TIF will, in its sole and absolute discretion, either reject or accept all of such Noteholder’s validly tendered EUR TIF Original Notes. EUR TIF Original Notes not accepted for exchange as a result of pro-ration will be returned to the relevant

Noteholder. The calculations of the Pro- Ration Factor will be made by TIF and such calculations will be final and binding on all Eligible Holders, absent manifest error.

If, on or prior to October 15, 2024, or any further date agreed prior to the then current longstop date between TIM and Optics pursuant to the Transaction Agreement (as defined herein), and announced to the relevant Noteholders promptly thereafter (such date, the "**Longstop Date**"), the Acquisition (i) is, or will be, consummated (such date the Acquisition is consummated, the "**Acquisition Closing Date**"), then upon no less than five business days prior notice by TIF to the principal paying agent for the EUR TIF New Notes (the "**New Notes Agent**"), Optics and the Holders of the EUR TIF New Notes (in accordance with the terms and conditions (the "**Conditions**")), on the Acquisition Closing Date, the EUR TIF New Notes will be mandatorily exchanged without the need for further action by the relevant Noteholders (the "**EUR TIF Mandatory Acquisition Exchange**") for an equal aggregate principal amount of EUR Optics (TIF) Notes to be issued by Optics with terms substantially the same as the EUR TIF New Notes, including maturity, interest rate, interest payment dates and other material terms, except for the provisions relating to them being secured and certain other provisions as set forth in the relevant description of such EUR Optics (TIF) Notes included elsewhere in this Exchange Offer Memorandum, or (ii) is not, or will not be, consummated on or prior to the Longstop Date, then the EUR TIF New Notes will remain outstanding as a separate series not fungible with the EUR TIF Original Notes not validly offered for exchange or otherwise accepted by TIF as part of the EUR TIF Exchange Offer.

The "**EUR TIF Exchange Offer**" refers herein to the EUR TIF Initial Exchange of the EUR TIF Original Notes for EUR TIF New Notes including the EUR TIF Mandatory Acquisition Exchange provisions within their terms and conditions. No further action by Holders is required to effect the EUR TIF Mandatory Acquisition Exchange.

The EUR TIF Exchange Offer is also subject to the satisfaction or waiver of certain additional general conditions, as described in this Exchange Offer Memorandum. See "*Conditions of the EUR TIF Exchange Offer*" beginning on page 18. In addition, TIF reserves the right to waive any or all of the conditions to the EUR TIF Exchange Offer in its sole discretion, subject to applicable law. In addition, TIF has the right to extend, reopen, amend, terminate or withdraw the EUR TIF Exchange Offer, at any time and for any reason, including based on the acceptance rate and outcome of the EUR TIF Exchange Offer or if any of the conditions described in the section "*Conditions of the EUR TIF Exchange Offers*" are not satisfied or waived.

EUR TIF Initial Exchange

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum (including the Minimum Exchange Amount), on the settlement date of the EUR TIF Initial Exchange (the "**EUR Settlement Date**"), in exchange for each €1,000 in principal amount of the EUR TIF Original Notes that is validly offered for exchange (and not validly withdrawn) on or prior to the EUR Expiration Time and accepted for exchange by TIF in the EUR TIF Initial Exchange (and subject to the Minimum Exchange Amount), each Participating Holder will receive €1,000 in principal amount of the EUR TIF New Notes. On the EUR Settlement Date, the (i) Participation Premium and (ii) accrued and unpaid interest, if any, in respect of the EUR TIF Original Notes validly offered for exchange (and not validly withdrawn) and accepted for exchange by TIF, for the period from, and including, the immediately preceding interest payment date in respect of the EUR TIF Original Notes up to, but excluding, the EUR Settlement Date will be paid by TIF in cash (rounded to the nearest €0.01, with €0.005 rounded upwards) (the "**Accrued Interest Amount in respect of the EUR TIF Original Notes**"). On the Acquisition Closing Date, accrued and unpaid interest, if any, in respect of the EUR TIF New Notes for the period from, and including, the later of (x) the immediately preceding interest payment date in respect of the EUR TIF New Notes and (y) the EUR Settlement Date, as applicable, up to, but excluding, the Acquisition Closing Date will be paid by TIF in cash (rounded to the nearest €0.01, with €0.005 rounded upwards) (the "**Accrued Interest Amount in respect of the EUR TIF New Notes**").

Eligible Holders of EUR TIF Original Notes whose EUR TIF Original Notes are not accepted for exchange by TIF or who do not offer to exchange and Ineligible Holders will continue to hold their EUR TIF Original Notes according to the terms of the EUR TIF Original Notes.

Eligible Holders who wish to participate in the EUR TIF Exchange Offer must offer for exchange their EUR TIF Original Notes for an aggregate principal amount of EUR TIF Original Notes that is sufficient to receive, in each case, at least €100,000 in principal amount of EUR TIF New Notes in the EUR TIF Exchange Offer (the "**Minimum Exchange Amount**").

The EUR TIF New Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. TIF will not accept for exchange any offer that would result in the issuance of less than €100,000 in principal amount of EUR TIF New Notes to a Participating Holder. As a result, a Holder will be unable to participate in the EUR TIF Exchange Offer if such Holder's ownership of EUR TIF Original Notes is not at a sufficient level to meet the required minimum denomination and the Minimum Exchange Amount. The terms of the EUR TIF New Notes will be substantially the same as the terms of the EUR TIF Original Notes, including the same maturity date, interest rate, interest payment dates and restrictive covenants as the corresponding Series of EUR TIF Original Notes, except, for example, for the minimum denomination and the provisions relating to the EUR TIF Mandatory Acquisition Exchange as described elsewhere in this Exchange Offer Memorandum. See "*Terms and Conditions of the EUR TIF New Notes*". EUR TIF Original Notes accepted by TIF for exchange shall be cancelled in accordance with the terms and conditions of such EUR TIF Original Notes.

EUR TIF Mandatory Acquisition Exchange

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, on the Acquisition Closing Date, and pursuant to the EUR TIF Mandatory Acquisition Exchange, in exchange for each €1,000 in principal amount of EUR TIF New Notes outstanding, each Holder of EUR TIF New Notes will mandatorily receive €1,000 in principal amount of EUR Optics (TIF) Notes. On the Acquisition Closing Date, Holders of EUR TIF New Notes will also be paid the Accrued Interest Amount in respect of the EUR TIF New Notes. Interest on the EUR Optics (TIF) Notes will accrue from the issue date of the EUR Optics (TIF) Notes.

The terms of the EUR Optics (TIF) Notes will be substantially the same as the terms of the corresponding series of the EUR TIF New Notes, including the maturity, interest rate, interest payment dates and other material terms, except for the provisions relating to them being secured and certain other provisions as set forth in the relevant description of such EUR Optics (TIF) Notes included elsewhere in the Exchange Offer Memorandum. See "*Summary—Summary of the EUR Optics (TIF) Notes*", "*Terms and Conditions of the EUR Optics Notes*" and "*Risk Factors—Risks Relating to the EUR Optics Notes*". Moreover, on their issue date, the EUR Optics (TIF) Notes will not be guaranteed and will be secured on a first priority basis by 100% of the share capital of Optics and certain receivables arising from material intercompany loans granted to Optics (if any) (the "**Optics Notes Issue Date Collateral**"). Within 60 days after the Acquisition Closing Date if the Push-Down Merger (as defined herein) has not occurred, (i) Optics will procure that, subject to certain agreed security principles and certain significant limitations under Italian law, NetCo guarantees the EUR Optics (TIF) Notes and (ii) the EUR Optics (TIF) Notes will be secured, subject to certain agreed security principles and certain perfection requirements, by first-ranking security interests in the share capital of NetCo held by Optics (on a basis whereby (a) the grant of security shall not trigger any tag-along rights in favor of any shareholder of NetCo and (b) the enforcement of such security will not be subject to any lock-up under any shareholder arrangements relating to the shares in NetCo) and certain receivables arising from material intercompany loans granted by Optics to NetCo, if any (the "**Optics Notes Post-Issue Date Collateral**"). Fastweb (as defined herein) currently owns a 4.5% stake in FiberCop. Subject to the outcome of current negotiations among the parties, Optics may acquire Fastweb's stake in NetCo or Fastweb may remain a minority shareholder in NetCo following the Acquisition. If Fastweb continues to be a shareholder of NetCo following the Acquisition, the minority stake of Fastweb is expected to be diluted in connection with the consummation of the Acquisition. To the extent Fastweb remains a shareholder in NetCo following the Transactions, it is not expected to pledge the stake it owns in NetCo, including after the occurrence of the Push-Down Merger. In the event that the Push-Down Merger cannot be effected with the security interests over the shares in NetCo held by Optics and/or the intercompany loans made available by Optics HoldCo to Optics remaining in place, such security interests shall be released in order to effect the Push-Down Merger and Optics HoldCo shall, within 20 Business Days following the Push-Down Merger, enter into replacement security over (i) the issued share capital of NetCo held by Optics Holdco: and (ii) receivables arising from material intercompany loans granted by Optics Holdco to NetCo, if any (the "**Optics Notes Replacement Collateral**"). Pursuant to the terms of the Intercreditor Agreement, the holders of the EUR Optics (TIF) Notes will share equally with the lenders under the Optics Financing Arrangements, the holders of the EUR Optics (TIM) Notes, if any, (as defined below) and the holders of the USD Optics Notes (as defined below), if any, the proceeds of the enforcement of the Optics Notes Collateral (as defined herein). See "*Summary—Summary of the EUR Optics (TIF) Notes*", "*Terms and Conditions of the EUR Optics (TIF) Notes*" and "*Risk Factors—Risks Relating to the EUR Optics Notes*". The value of the collateral securing the EUR Optics (TIF) Notes may not be sufficient to satisfy Optics' obligations under the EUR Optics (TIF) Notes, as applicable, and such collateral may be reduced or diluted under certain circumstances. See also "*Risk Factors—Risks Relating to the Optics Notes—Once granted, the guarantees, including the NetCo Guarantee, and the Optics*

Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability" and "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations.*"

If you are in any doubt as to the action you should take, you are recommended to seek your own financial, legal, tax, regulatory, investment or other advice immediately from your stockbroker, bank manager, accountant or another independent financial adviser. Prior to making a decision as to whether to offer for exchange the EUR TIF Original Notes pursuant to the EUR TIF Exchange Offer, Holders of EUR TIF Original Notes should carefully consider all of the information in this Exchange Offer Memorandum and, in particular, the risk factors described in "*Risk Factors*" beginning on page 116.

Any individual or company whose EUR TIF Original Notes are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if they wish to validly offer for exchange their EUR TIF Original Notes pursuant to the EUR TIF Exchange Offer. None of TIF, TIM, Optics, Banco Santander, S.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, J.P. Morgan SE, MUFG Securities (Europe) N.V., Société Générale and UniCredit Bank GmbH (the "**Dealer Managers**"), or the Exchange and Information Agent (or their respective directors, agents, officers, employees or affiliates) makes any recommendation as to whether or not Holders of EUR TIF Original Notes should offer their EUR TIF Original Notes for exchange.

There is currently no market for the EUR TIF New Notes, and we cannot assure you that any market will develop. The EUR TIF New Notes are expected to be issued in bearer form and initially represented by a temporary global note (each, a "**Temporary Global Note**"), without interest coupons, which will be deposited on or prior to the relevant issue date with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the relevant Temporary Global Note will be exchangeable for interests in a permanent global note (each, a "**Permanent Global Note**" and, together with a Temporary Global Note, the "**Global Notes**"), without interest coupons, on or after a date which is expected to be 40 days after the relevant issue date, upon certification as to non-U.S. beneficial ownership. Interests in the relevant Permanent Global Note will be exchangeable for definitive notes only in certain limited circumstances.

There is currently no market for the EUR Optics (TIF) Notes, and we cannot assure you that any market will develop. The EUR Optics (TIF) Notes are expected to be in registered form and be represented by a global certificate (each a "**Global Certificate**"), which will be registered in the name of a nominee of a common depositary and deposited on or prior to the relevant issue date with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**").

The EUR TIF New Notes, the EUR TIF Original Notes, the guarantees of the EUR TIF New Notes and the guarantees of the EUR TIF Original Notes have not been, and will not be, and the EUR Optics (TIF) Notes and the guarantees of the EUR Optics (TIF) Notes, if issued in the EUR TIF Mandatory Acquisition Exchange, will not be, registered under the U.S. Securities Act, or any state securities law, and the EUR TIF New Notes and the EUR Optics (TIF) 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 of the EUR TIF New Notes and EUR Optics (TIF) Notes, see "*Notice to Investors*" and "*Offer Restrictions*".

With respect to the EUR TIF New Notes and the EUR Optics (TIF) Notes, respectively, application will be made to the Luxembourg Stock Exchange (the "**Stock Exchange**") for the EUR TIF New Notes and the EUR Optics (TIF) Notes to be listed on the Official List of the Stock Exchange and admitted for trading on the professional segment of the Euro MTF Market thereof from their respective issue dates. The Euro MTF Market is not a regulated market pursuant to the provisions of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**") nor a UK regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") ("**UK MiFIR**").

This Exchange Offer Memorandum includes additional information on the terms of the EUR TIF New Notes and the EUR Optics (TIF) Notes, including redemption and repurchase prices, covenants and offer restrictions.

The Luxembourg Stock Exchange has only scrutinized and approved the sections of this Exchange Offer Memorandum that relate to the listing of the EUR TIF New Notes and the EUR Optics (TIF) Notes and not the sections that relate to the Exchange Offers. The sections relating to the Exchange Offers are provided for informational purposes only.

Joint Dealer Managers

BNP Paribas | **Crédit Agricole CIB**

Deutsche Bank | **Goldman Sachs International**

J.P. Morgan | **UniCredit**

Co-dealer Managers

MUFG | **Santander**

Société Générale Corporate & Investment Banking

NOTICE TO INVESTORS

This Exchange Offer Memorandum does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**").

The Issuer accepts responsibility for the information contained in this Exchange Offer 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 Exchange Offer Memorandum is in accordance with the facts and does not omit anything affecting the import of such information.

The information on the websites to which this Exchange Offer Memorandum refers does not form part of this Exchange Offer Memorandum.

Save for the Issuer and TIM Guarantor, no other party has separately verified all the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealer Managers as to the accuracy or completeness of the information contained or incorporated in this Exchange Offer Memorandum or any other information provided by the Issuer or TIM Guarantor in connection with the Notes. No Dealer Manager accepts any liability in relation to the information contained in this Exchange Offer Memorandum or any other information provided by the Issuer or TIM Guarantor.

Neither the Dealer Managers nor any of their respective affiliates, employees, directors, officers, agents or advisers have authorized the whole or any part of this Exchange Offer 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 Exchange Offer Memorandum or any responsibility for any acts or omissions of the Issuer or TIM Guarantor or any other person in connection with the issuance and the EUR TIF Exchange Offer.

None of the EUR TIM Original Notes Trustee, EUR TIF Original Notes Agent, New Notes Agent, Optics Notes Trustee, Optics Notes Transfer Agent and Registrar or Optics Notes Paying Agent (each as hereinafter defined) makes any representation or warranty whatsoever or accepts any responsibility as to the accuracy or completeness of the information contained in this Exchange Offer Memorandum or any responsibility for the acts or omissions of the Issuer or TIM Guarantor or any other person in connection with the issuance and the EUR TIF Exchange Offer.

No person is or has been authorized by the Issuer or TIM Guarantor to give any information or to make any representation not contained in or consistent with this Exchange Offer Memorandum or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or TIM Guarantor or any of the Dealer Managers or their respective affiliates, employees, directors, officers, agents or advisers.

Neither this Exchange Offer Memorandum nor any other information supplied in connection with the 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, TIM Guarantor or any of the Dealer Managers or any of the EUR TIM Original Notes Trustee, EUR TIF Original Notes Agent, the New Notes Agent, Optics Notes Trustee, Optics Notes Transfer Agent and Registrar or Optics Notes Paying Agent (each as hereinafter defined) that any recipient of this Exchange Offer Memorandum or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, TIM Guarantor and Optics. Neither this Exchange Offer Memorandum nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer, TIM Guarantor or any of the Dealer Managers to any person to subscribe or purchase any Notes.

Neither the delivery of this Exchange Offer Memorandum nor the offering, sale or delivery of the EUR TIF New Notes or EUR Optics (TIF) Notes shall in any circumstances imply that the information contained in it concerning the Issuer, TIM Guarantor or Optics is correct at any time subsequent to its date or that any other information supplied in connection with the EUR TIF New Notes or EUR Optics (TIF) Notes is correct as at any time subsequent to the date indicated in the document containing the same. The Dealer Managers expressly do not undertake to review the financial condition or affairs of the Issuer, TIM Guarantor or Optics during the life of the EUR TIF New Notes or

EUR Optics (TIF) Notes or to advise any investor in the EUR TIF New Notes or EUR Optics (TIF) Notes of any information coming to their attention.

By receiving this Exchange Offer Memorandum, you acknowledge that you have had an opportunity to request from the Issuer or TIM Guarantor for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Exchange Offer Memorandum. You also acknowledge that you have not relied on the Dealer Managers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

The EUR TIF New Notes, the guarantees of the EUR TIF New Notes, the EUR Optics (TIF) Notes and the guarantees of the EUR Optics (TIF) 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 Notes and on the distribution of this document, see "*Offer Restrictions.*"

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, TIM Guarantor or the Dealer Managers has any responsibility therefor.

As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. By purchasing any Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of this Exchange Offer Memorandum. None of the Issuer, TIM Guarantor or the Dealer Managers nor their respective affiliates, employees, directors, officers, agents or advisers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. None of the Issuer, TIM Guarantor or the Dealer Managers are making any representation to you that the Notes are a legal investment for you.

In this Exchange Offer 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.

The language of this Exchange Offer 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 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 Prospectus Regulation.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the 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 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 Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the 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 Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties ("**ECPs**") and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending the 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 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 Notes has led to the conclusion that: (i) the target market for the 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 Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the 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 Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE TO HONG KONG INVESTORS

The Notes may not be offered or sold in Hong Kong by means of any document other than to (1) "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder, or (2) in circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of the laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No invitation, advertisement or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), 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 the Notes which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors," as defined under the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong and any rules made thereunder.

NOTICE TO ITALIAN INVESTORS

No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of the Italian Financial Services Act and, in particular, the Exchange Offers have not been submitted to and/or cleared by CONSOB (the Italian securities exchange commission) and the offering of the Notes described in this Exchange Offer Memorandum has not been registered with CONSOB pursuant to Italian securities legislation and will not be subject to formal review or clearance by CONSOB.

Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, nor may copies of the following Exchange Offer Memorandum or of any other document relating to the Notes described in this Exchange Offer Memorandum be distributed in the Republic of Italy, except: (a) to qualified investors *(investitori qualificati*) ("**Qualified Investors**") pursuant to Article 2, paragraph (e) of the Prospectus Regulation, Article 100 of the Italian Financial Services Act, and implementing CONSOB regulations, including CONSOB Regulation No. 11971 of May 14, 1999, as amended ("**Issuers' Regulation**") and CONSOB Regulation No. 20307 of February 15, 2018, as amended ("**CONSOB Regulation on Intermediaries**") or (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 100 of the Italian Financial Services Act, Article 34-*ter* of the Issuers' Regulation and the applicable Italian laws and regulations.

The Notes may not be offered, sold or delivered and neither this Exchange Offer Memorandum nor any other material relating to the Notes may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Exchange Offer Memorandum or any other offering material or other documentation relating to the Notes in the Republic of Italy is made in compliance with the selling restrictions above and must be made as follows: (a) by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r, of the Italian Financial Services Act) permitted to conduct such activities in Italy in accordance, as applicable, with the Legislative Decree No. 385 of September 1, 1993, as subsequently integrated and amended, (the "**Italian Consolidated Financial Act**"), the Italian Financial Services Act, the Issuers' Regulation, the CONSOB Regulation on Intermediaries and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirements or limitations which may be imposed from time to time by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Consolidated Banking Act and the implementing guidelines of the Bank of Italy issued on August 25, 2015, as amended on August 10, 2016 and November 2, 2020 and as further amended from time to time) and/or any other competent Italian authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer, sale, delivery or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

NOTICE TO FRENCH INVESTORS

This Exchange Offer Memorandum has not been prepared and is not being distributed in the context of an offer to the public of financial securities in France within the meaning of Article L.411 1 of the French Code monétaire et financier and Title 1 of Book II of the *Règlement Général de l'Autorité des Marchés Financiers*, and has not been approved by, registered or filed with the *Autorité des marchés financiers* (the "**AMF**"), nor any competent authority of another EEA Member State that would have notified its approval to the AMF under the Prospectus Regulation as implemented in France and in any relevant EEA Member State. Therefore, the Notes may not be, directly or indirectly, offered or caused to be offered or sold to the public in France (*offre au public de titres financiers*) and this Exchange Offer Memorandum and any other offering or marketing material or information relating to the Notes has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sales of the Notes to the public in France in any way that would constitute, directly or indirectly, an offer to the public in France. Offers, sales and distributions have only been and shall only be made in France to qualified investors *(investisseurs qualifiés*) acting solely for their own account (*agissant pour compte propre*) and/or to providers of investment services relating to portfolio management for the account of third parties *(personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), all as defined in and in accordance with Articles L.411 1, L.411 2, D.411 1, D.411 4, D.744 1, D.754 1 and D.764 1 of the French Code monétaire et financier. Prospective investors are informed that (a) this Exchange Offer Memorandum has not been and will not be submitted for clearance to the AMF, (b) in compliance with Articles L.411 2, D.411 1, D.411 4, D.744 1, D.754 1 and D.764 1 of the French Code monétaire et financier, any qualified investors subscribing for the Optics Notes should be acting for their own account (*agissant pour compte propre*) and (c) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411 1, L.411 2, L.412 1 and L.621 8 through L. 621 8 3 of the French Code monétaire et financier.

NOTICE TO JAPANESE INVESTORS

The 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 "**Financial Instruments and Exchange Act**"). Accordingly, no Notes have been

offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

NOTICE TO SINGAPOREAN INVESTORS

This Exchange Offer Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer Manager has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the 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 Exchange Offer Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the 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, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Notification under Section 309B(1) of the SFA — the Issuer has determined, and hereby notifies all persons (including all relevant persons (as defined in Section 309A(1) of the SFA)), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Market Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in Monetary Authority of Singapore ("MAS") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO SWISS INVESTORS

The offering if the Notes is not a public offering in Switzerland. The Notes offered hereby may not be publicly offered, sold, or advertised, directly or indirectly, in, into, or from Switzerland. This document is not intended to constitute an offer or solicitation to purchase or invest in the Optics Notes described herein. Neither this Exchange Offer Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations, and neither this Exchange Offer Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes offered hereby will not be listed on the SIX Swiss Exchange Ltd. or on any other exchange or regulated trading facility in Switzerland, and, therefore, the documents relating to the Notes offered hereby, including, but not limited to, this Exchange Offer Memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd. and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd.

ITALIAN "WHITE LIST STATES"

In order to qualify as eligible to receive interest free from Italian *Imposta Sostitutiva* (Italian Substitute Tax) under Italian Legislative Decree No. 239 of April 1, 1996 (the "**Decree No. 239**"), *inter alia*, non-Italian resident holders of the Notes and beneficial interest therein, subject to certain formalities, must be beneficial owners resident for tax purposes in, or be "institutional investors" established in, a country which the Italian government identifies as allowing for a satisfactory exchange of information with Italy, as listed in the Italian Ministerial Decree dated September 4, 1996, as amended from time to time, pursuant to Article 11, paragraph 4, let. c) of Decree No. 239 (the "**White List**"). See "*Certain Tax Considerations—Certain Italian Tax Considerations*." Subject to certain limited exceptions, such as for central banks and supranational bodies established in accordance with international agreements in force in Italy, this residency requirement applies to all holders of the Notes and beneficial interests therein, including ultimate beneficiaries of interest payments under the Notes holding via sub-accounts to which interests in the Notes may be allocated upon purchase or thereafter. In the case of failure to comply with the requirements and procedures set forth in Decree No. 239, an Italian Substitute Tax will apply on any payment made in respect of the Notes to a non-Italian resident holder of the Notes, at a rate of 26.0% or the rate applicable pro tempore under Decree No. 239 (possibly reducible under double taxation treaties entered into by Italy, where applicable). As of April 1, 2024, the White List includes the following countries:

Albania	Ecuador	Lithuania	Singapore
Alderney (Channel Island)	Egypt	Luxembourg	Sint Maarten
Algeria	Estonia	Macedonia	Slovak Republic
Andorra, Principality of	Ethiopia	Malaysia	Slovenia
Anguilla, The Island of	Faroe Islands	Malta	South Africa
Argentina	Finland	Mauritius	Spain
Armenia	France	Mexico	Sri Lanka
Aruba	Georgia	Moldova	Sweden
Australia	Germany	Monaco, Principality of	Switzerland
Austria	Ghana	Montenegro	Syria
Azerbaijan	Gibraltar	Montserrat	Taiwan
Bangladesh	Greece	Morocco	Tajikistan
Barbados, The Island of	Greenland	Mozambique	Tanzania
Belarus	Guernsey (Channel Islands)	Nauru, Republic of	Thailand
Belgium	Herm (Channel Islands)	New Zealand	Trinidad and Tobago
Belize	Holy See (Vatican City State)	Netherlands	Tunisia
Bermuda Islands	Hong Kong	Nigeria	Turkey
Bosnia and Herzegovina	Hungary	Niue	Turkmenistan
Brazil	Iceland	Norway	Turks and Caicos Islands
British Virgin Islands	India	Oman	Uganda
Bulgaria	Indonesia	Pakistan	Ukraine
Cameroon	Ireland	Philippines	United Arab Emirates
Canada	Isle of Man	Poland	United Kingdom
Cayman Islands	Israel	Portugal	United States of America
Chile		Qatar	Uruguay
China	Japan	Romania	Uzbekistan
Colombia	Jersey (Channel Islands)	Russian Federation	Venezuela
Congo (Republic of Congo)	Jordan	Samoa	Vietnam
Cook Islands	Kazakhstan	Saint Kitts and Nevis	Zambia
Costa Rica	Kyrgyzstan	Saint Vincent and the Grenadines	
Côte d'Ivoire			
Croatia	Korea, Republic of	San Marino	
Curacao	Kuwait	Saudi Arabia	
Cyprus	Latvia	Senegal	
Czech Republic	Lebanon	Serbia	
Denmark	Liechtenstein	Seychelles	

You are advised to consult your own attorney, accountant and business adviser as to legal, tax, business, financial and related matters concerning the purchase of Notes. The White List may change and the Issuer has no obligation to provide notice of any such change. Holders of the Notes will bear the risk of changes in the White List and should therefore inform themselves of any such changes.

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

This Exchange Offer Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any 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 Exchange Offer Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, TIM Guarantor and the Dealer Managers represent that this Exchange Offer Memorandum may be lawfully distributed, or that any 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, TIM Guarantor and the Dealer Managers which would permit a public offering of any Notes or distribution of this Exchange Offer Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Exchange Offer 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 Exchange Offer Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Exchange Offer Memorandum and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Exchange Offer Memorandum and the offer or sale of Notes in the United States, the EEA (including the Republic of Italy and France), the United Kingdom, Japan, Switzerland, Hong Kong and Singapore. See "*Offer Restrictions*."

TABLE OF CONTENTS

TERMS OF THE EUR TIF EXCHANGE OFFER 1
ACCEPTANCE OF EUR TIF ORIGINAL NOTES; ACCRUAL OF INTEREST 8
PROCEDURES FOR PARTICIPATING IN THE EUR TIF EXCHANGE OFFER 10
CONDITIONS OF THE EUR TIF EXCHANGE OFFER 18
SUMMARY OF THE TERMS OF THE EUR TIF EXCHANGE OFFER 20
CERTAIN DEFINED TERMS 25
IMPORTANT DATES 37
FORWARD-LOOKING STATEMENTS 40
MARKET AND INDUSTRY DATA 44
ROUNDING 45
TRADEMARKS AND TRADE NAMES 46
PRESENTATION OF FINANCIAL AND OTHER INFORMATION 47
SUMMARY 56
CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS OF THE TIM GROUP AS OF DECEMBER 31, 2023 82
CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS OF THE OPTICS GROUP PRO FORMA FOR THE TRANSACTIONS AS OF DECEMBER 31, 2023 84
SUMMARY OF THE EUR TIF NEW NOTES 86
SUMMARY OF THE EUR OPTICS (TIF) NOTES 89
SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION AND PRO FORMA CARVE-OUT OF THE TIM GROUP 97
SUMMARY FINANCIAL AND OTHER PRO FORMA CARVE-OUT INFORMATION OF NETCO AND OPTICS 109
RISK FACTORS 115
USE OF PROCEEDS 221
CAPITALIZATION OF THE TIM GROUP 222
CAPITALIZATION OF NETCO AND OPTICS 224
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE TIM GROUP 226
MANAGEMENT'S DISCUSSION AND ANALYSIS OF PRO FORMA CARVE OUT FINANCIAL INFORMATION AND RESULTS OF OPERATIONS OF NETCO 250
BUSINESS OF THE TIM GROUP 259
BUSINESS OF NETCO 295
TIM GROUP INDUSTRY OVERVIEW 310
NETCO INDUSTRY OVERVIEW 316
TIM GROUP REGULATION 319
NETCO REGULATION 357
MANAGEMENT OF THE TIM GROUP 377
MANAGEMENT OF THE OPTICS GROUP 379
PRINCIPAL SHAREHOLDERS OF THE TIM GROUP 380

PRINCIPAL SHAREHOLDERS OF OPTICS 381
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS OF THE TIM GROUP 384
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS OF THE OPTICS GROUP....385
DESCRIPTION OF CERTAIN OTHER FINANCING ARRANGEMENTS OF THE TIM GROUP 386
DESCRIPTION OF CERTAIN OTHER FINANCING ARRANGEMENTS OF THE OPTICS GROUP....396
OFFER RESTRICTIONS....451
CERTAIN TAX CONSIDERATIONS 455
CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTES GUARANTEES AND THE OPTICS NOTES COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS 470
LEGAL MATTERS....529
INDEPENDENT AUDITORS....530
WHERE YOU CAN FIND ADDITIONAL INFORMATION 531
THE DEALER MANAGERS....532
LISTING AND GENERAL INFORMATION....533
APPENIDX A TERMS AND CONDITIONS OF THE EUR TIF NEW NOTES A-1
APPENDIX B TERMS AND CONDITIONS OF THE EUR OPTICS (TIF) NOTES B-1
APPENDIX C GLOSSARY C-1
TIM UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION....P-1
NETCO UNAUDITED COMBINED PRO FORMA CARVE-OUT FINANCIAL INFORMATION P-16
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS F-1

TERMS OF THE EUR TIF EXCHANGE OFFER

General

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, the EUR TIM Exchange Offer Memorandum and the USD Exchange Offer Memorandum, TIM, TIF and TICAP are inviting holders to offer for exchange their EUR TIM Original Notes, EUR TIF Original Notes and /or USD Original Notes in an aggregate principal amount up to €5.0 billion to be accepted across the Exchange Offers in the sole discretion of TIM, TIF and/or TICAP, as applicable (the "**Total Cap**") for an equal aggregate principal amount of corresponding EUR TIM New Notes, EUR TIF New Notes and/or USD New Notes. TIM, TIF and TICAP (acting together) reserve the right, but are not obligated, to increase the Total Cap in their sole and absolute discretion, subject to applicable laws, and Holders of EUR TIF Original Notes will not be entitled to any revocation rights as a result of such increase.

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, TIF is hereby inviting Eligible Holders to offer for exchange their EUR TIF Original Notes (the "**EUR TIF Initial Exchange**") for an equal aggregate principal amount of the corresponding EUR TIF New Notes subject to the Total Cap.

If, on or prior to October 15, 2024 or any further date agreed prior to the then current longstop date between TIM and Optics pursuant to the Transaction Agreement (as defined herein) and announced to the relevant Noteholders promptly thereafter, (the "**Longstop Date**"), the Acquisition (i) is, or will be, consummated (such date the Acquisition is consummated, the "**Acquisition Closing Date**"), then upon no less than five business days prior notice by TIF to the principal paying agent for the EUR TIF New Notes (the "**New Notes Agent**"), Optics, and the Holders of the EUR TIF New Notes (in accordance with the relevant Conditions), on the Acquisition Closing Date, the EUR TIF New Notes will be mandatorily exchanged without the need for further action by the relevant Noteholders (the "**EUR TIF Mandatory Acquisition Exchange**") for an equal aggregate principal amount of EUR Optics (TIF) Notes to be issued by Optics with terms substantially the same as the terms of the EUR TIF New Notes including maturity, interest rate, interest payment dates and other material terms, except for the provisions relating to them being secured and certain other provisions as set forth in the relevant description of such EUR Optics (TIF) Notes included elsewhere in this Exchange Offer Memorandum, or (ii) is not, or will not be, consummated on or prior to the Longstop Date, then the EUR TIF New Notes will remain outstanding as a separate series not fungible with the EUR TIF Original Notes not validly offered for exchange or otherwise accepted as part of the EUR TIF Exchange Offer. The EUR TIF Mandatory Acquisition Exchange will be completed on a mandatory basis pursuant to the terms set out in the EUR TIF New Notes by exchanging the EUR Optics (TIF) Notes for the outstanding EUR TIF New Notes through the relevant Clearing System(s) and no consent or any other action will be required by the holders of the EUR TIF New Notes for the EUR TIF Mandatory Acquisition Exchange to take place. See "*Terms and Conditions of the EUR TIF New Notes—The Notes Exchanges*". Upon consummation of the EUR TIF Mandatory Acquisition Exchange, the EUR TIF New Notes will be cancelled.

EUR TIF Initial Exchange

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, on the EUR Settlement Date, in exchange for each €1,000 in principal amount of EUR TIF Original Notes that is validly offered for exchange (and not validly withdrawn) on or prior to the EUR Expiration Time and accepted for exchange by TIF in the EUR TIF Initial Exchange (and subject to the Minimum Exchange Amount), each Participating Holder of EUR TIF Original Notes will receive €1,000 in principal amount of the EUR TIF New Notes (the "**EUR Exchange Consideration**").

In addition to the EUR Exchange Consideration, on the EUR Settlement Date, Participating Holders whose EUR TIF Original Notes are accepted for exchange pursuant to the EUR TIF Exchange Offer will also be paid (i) accrued and unpaid interest, if any, in respect of EUR TIF Original Notes validly offered for exchange (and not validly withdrawn) and accepted for exchange by TIF for the period from, and including, the immediately preceding interest payment date in respect of the EUR TIF Original Notes up to, but excluding, the EUR Settlement Date by TIF in cash (rounded to the nearest €0.01, with €0.005 rounded upwards) (the "**Accrued Interest Amount in respect of the EUR TIF Original Notes**") and (ii) the Participation Premium.

Eligible Holders of EUR TIF Original Notes whose EUR TIF Original Notes are not accepted for exchange by TIF or who do not offer for exchange and Ineligible Holders will continue to be paid interest according to the terms of the EUR TIF Original Notes.

Eligible Holders who wish to participate in the EUR TIF Exchange Offer must offer for exchange their EUR TIF Original Notes for an aggregate principal amount of EUR TIF Original Notes that is sufficient to receive at least €100,000 in principal amount of EUR TIF New Notes in the EUR TIF Exchange Offer (the "**Minimum Exchange Amount**").

The EUR TIF New Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. TIF will not accept for exchange any offer that would result in the issuance of less than €100,000 in principal amount of EUR TIF New Notes to a Participating Holder. As a result, a Holder will be unable to participate in the EUR TIF Exchange Offer if such Holder's ownership of EUR TIF Original Notes is not at a sufficient level to meet the required minimum denomination and the Minimum Exchange Amount. EUR TIF Original Notes accepted by TIF for exchange shall be cancelled in accordance with the terms and conditions of such EUR TIF Original Notes.

EUR TIF Mandatory Acquisition Exchange

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, on the Acquisition Closing Date, and pursuant to the EUR TIF Mandatory Acquisition Exchange, in exchange for each €1,000 in principal amount of EUR TIF New Notes outstanding, each Holder of EUR TIF New Notes will mandatorily receive €1,000 in principal amount of EUR Optics (TIF) Notes. On the Acquisition Closing Date, Holders of EUR TIF New Notes will also be paid accrued and unpaid interest, if any, in respect of EUR TIF New Notes for the period from, and including, the later of (x) the immediately preceding interest payment date in respect of the EUR TIF New Notes and (y) the EUR Settlement Date, as applicable, up to, but excluding, the Acquisition Closing Date by TIF in cash (rounded to the nearest €0.01, with €0.005 rounded upwards) (the "**Accrued Interest Amount in respect of the EUR TIF New Notes**").

Interest on the EUR Optics (TIF) Notes will accrue from the issue date of the EUR Optics (TIF) Notes.

The terms of the EUR Optics (TIF) Notes will be substantially the same as the terms of the EUR TIF New Notes, including the same maturity date, interest payment dates and interest rate as the EUR TIF New Notes, except for the provisions relating to them being secured and certain other provisions as set forth in the relevant description of such EUR Optics (TIF) Notes included elsewhere in the Exchange Offer Memorandum. See "*Summary—Summary of the EUR (TIF) Optics Notes—*", "*Terms and Conditions of the EUR Optics (TIF) Notes*" and "*Risk Factors—Risks Relating to the EUR Optics (TIF) Notes*". Moreover, on their issue date, the EUR Optics (TIF) Notes will not be guaranteed and will be secured on a first priority basis by 100% of the share capital of Optics and certain receivables arising from material intercompany loans granted to Optics (if any) (the "**Optics Notes Issue Date Collateral**"). Within 60 days after the Acquisition Closing Date if the Push-Down Merger (as defined herein) has not occurred, (i) Optics will procure that, subject to certain agreed security principles and certain significant limitations under applicable laws, NetCo guarantees the EUR Optics (TIF) Notes and (ii) the EUR Optics (TIF) Notes will be secured, subject to certain agreed security principles and certain perfection requirements, by first-ranking security interests in the share capital of NetCo held by Optics (on a basis whereby (a) the grant of security shall not trigger any tag-along rights in favor of any shareholder of NetCo and (b) the enforcement of such security will not be subject to any lock-up under any shareholder arrangements relating to the shares in NetCo) and certain receivables arising from material intercompany loans granted to NetCo, if any (the "**Optics Notes Post-Issue Date Collateral**"). Fastweb currently owns a 4.5% stake in FiberCop. Subject to the outcome of current negotiations among the parties, Optics may acquire Fastweb's stake in NetCo or Fastweb may remain a minority shareholder in NetCo following the Acquisition. If Fastweb continues to be a shareholder of NetCo following the Acquisition, the minority stake of Fastweb is expected to be diluted in connection with the consummation of the Acquisition. To the extent Fastweb remains a shareholder in NetCo following the Transactions, it is not expected to pledge the stake it owns in NetCo, including after the occurrence of the Push-Down Merger. In the event that the Push-Down Merger cannot be effected with the security interests over the shares of NetCo held by Optics and/or intercompany loans made available by Optics HoldCo to Optics remaining in place, such security interests shall be released in order to effect the Push-Down Merger and Optics HoldCo shall within 20 Business Days following the Push-Down Merger, enter into the Optics Notes Replacement Collateral. However, pursuant to the terms of the Intercreditor Agreement, the holders of the EUR Optics (TIF) Notes

will share equally with the lenders of the Optics Financing Arrangements, the holders of the EUR Optics (TIM) Notes, if any, and the holders of the USD Optics Notes, if any, the proceeds of the enforcement of the Optics Notes Collateral. See "*Summary—Summary of the EUR Optics (TIF) Notes—*", "*Terms and Conditions of the EUR Optics (TIF) Notes*" and "*Risk Factors—Risks Relating to the EUR Optics Notes*". The value of the collateral securing the EUR Optics (TIF) Notes may not be sufficient to satisfy Optics' obligations under the EUR Optics (TIF) Notes, as applicable, and such collateral may be reduced or diluted under certain circumstances. See also "*Risk Factors—Risks Relating to the Optics Notes—Once granted, the guarantees, including the NetCo Guarantee, and the Optics Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability"* and "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations.*"

Completion of the EUR TIF Exchange Offer is subject to the satisfaction or waiver of certain conditions as set forth in this Exchange Offer Memorandum. See "*Conditions of the EUR TIF Exchange Offer*". TIF reserves the right to waive any or all of the conditions to the EUR TIF Exchange Offer in its sole discretion, subject to applicable law or to terminate or withdraw the EUR TIF Exchange Offer at any time and for any reason before any EUR TIF Original Notes are accepted for exchange, including based on the acceptance rate and outcome of the EUR TIF Exchange Offer if any of the conditions described herein are not satisfied or waived. In addition, TIF has the right to extend, reopen, amend, terminate or withdraw, in its sole discretion, the EUR TIF Exchange Offer at any time and for any reason before any EUR TIF Original Notes are accepted for exchange, including if the conditions to the EUR TIF Exchange Offer described under "*Conditions of the EUR TIF Exchange Offer*" are not satisfied or waived.

Valid Instructions

Holders of EUR TIF Original Notes held through the Clearing Systems should note that, by delivering an Instruction, they will agree that (subject to the rights of such Holders to revoke their Instruction in the limited circumstances described in "Holders' Rights of Revocation") their EUR TIF Original Notes will be, and will remain, blocked in the relevant Clearing System and transfers thereof will be restricted, with effect from and including the date on which their Instruction is received by the relevant Clearing System until the earliest of (i) the date on which they validly revoke their Instruction in the limited circumstances in which such revocation is permitted (see "*Holders' Rights of Revocation*"), (ii) the date on which the EUR TIF Exchange Offer is terminated or withdrawn and (iii) the time of settlement of the EUR TIF Initial Exchange on the EUR Settlement Date, all in accordance with the normal operating procedures of such Clearing System, and after taking into account the deadlines imposed by such Clearing System.

TIF will at all times have the discretion to accept any EUR TIF Original Notes for exchange pursuant to the EUR TIF Exchange Offer, the offer of which would otherwise be invalid or, in the sole opinion of TIF, may otherwise be invalid.

Holders' Rights of Revocation

The submission of any Instruction, in accordance with the procedures set out in the section headed "*Procedures for Participating in the EUR TIF Exchange Offer*" will be irrevocable except in the limited circumstances described in "*Termination, Withdrawal and Amendment of the EUR TIF Exchange Offer*" below.

Extension of certain dates

Subject to applicable law, TIF may, in its sole discretion (but without giving revocation rights to Holders pursuant to "*Holders' Rights of Revocation*"), extend the EUR Expiration Time by giving notice to the Holders of EUR TIF Original Notes through the Clearing Systems and on the website of Luxembourg Stock Exchange.

At any time when the Issuer extends the EUR Expiration Time, it may, at the same time and in the same notice, extend the other dates set out herein.

Eligible Holders

A Holder who is an Ineligible Holder may not receive any EUR TIF New Notes or EUR Optics (TIF) Notes pursuant to the EUR TIF Exchange Offer (including the mandatory EUR TIF Mandatory Acquisition Exchange). Any Holder

of EUR TIF Original Notes seeking to participate in the EUR TIF Exchange Offer and holding less than the Minimum Exchange Amount immediately prior to the EUR Settlement Date shall be deemed to be an Ineligible Holder.

Holders should also note that, without prejudice to any other right of action which may be available to TIF, TIF reserves the right to conduct whatever investigation it deems necessary (including requiring the delivery of evidence satisfactory to it as to a Holder's status as an Eligible Holder or, as the case may be, an Ineligible Holder) in order to satisfy itself that it is appropriate for it to deliver the EUR TIF New Notes to an Eligible Holder.

Holders must satisfy themselves as to their status as an Eligible Holder or otherwise. The form of Instruction requires the relevant Holder to represent and warrant that it is an Eligible Holder. Failure to do so will result in TIF treating the relevant Holder as being an Ineligible Holder unless TIF in its sole discretion determines otherwise.

As it may be unlawful in certain jurisdictions to deliver (or be deemed to have delivered) EUR TIF New Notes to Holders, Holders who are residents, citizens, nationals of or have otherwise some form of connection with certain jurisdictions are required to inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with any other necessary formalities.

For the purposes of the EUR TIF Exchange Offer:

"**Eligible Holder**" means a person who holds EUR TIF Original Notes and:

- either (i)(A) is the beneficial owner of the EUR TIF Original Notes being offered for exchange and (B) is located outside the United States and is participating in the EUR TIF Exchange Offer from outside the United States and is not a U.S. person or (ii)(A) is acting on behalf of the beneficial owner of the EUR TIF Original Notes being offered for exchange on a non-discretionary basis and has been duly authorized to so act and (B) such beneficial owner has confirmed to such person that it is located outside the United States and is participating in the EUR TIF Exchange Offer from outside the United States and is not a U.S. person;

- is, and (if acting as an intermediary) each person for whom such person is acting as intermediary and who is making an investment decision in respect of the EUR TIF New Notes, is, a person that is not a "retail investor" in the EEA or in the UK;

- is not a person to whom it is unlawful to make the EUR TIF Exchange Offer under the applicable securities laws, and such person has not distributed or forwarded the Exchange Offer Memorandum or any other documents or materials relating to the EUR TIF Exchange Offer to any person(s) to whom such distribution cannot be lawfully made, and that such person has (before submitting, or arranging for the submission on its behalf, as the case may be, of the Instruction) complied with all laws and regulations applicable to it for the purpose of its participation in the EUR TIF Exchange Offer;

- such person's participation in the EUR TIF Exchange Offer will not result in a breach of any relevant laws or regulations in the jurisdiction in which it is resident or from which it is submitting an Instruction; and

- is not, nor is he/she acting on behalf of a, Sanctions Restricted Person (as defined herein), provided that this representation shall only apply if and to the extent that it would not result in a violation or breach of, or conflict with, (a) Council Regulation (EC) No 2271/96 of November 22, 1996 (or any law or regulation implementing such Regulation in any member state of the European Union, including Section 7 of the German Foreign Trade Ordinance (*Außenwirtschaftsverordnung*)); (b) any similar blocking or anti-boycott law of the United Kingdom (including, without limitation, Council Regulation (EC) No 2271/96 as it forms a part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018).

TIF reserves the right (in its sole discretion) to permit a Holder who is prima facie not an Eligible Holder to receive the relevant EUR TIF New Notes if requested by such Holder provided TIF is satisfied that to do so would not contravene the applicable laws and regulations of any relevant jurisdiction.

For the purposes of this Exchange Offer Memorandum, 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 MiFID II or 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, (ii) a customer within the meaning of 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 a consumer 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 consumer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR, (iii) not a qualified investor as defined in the Prospectus Regulation or as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Announcements

Unless stated otherwise, announcements in connection with the EUR TIF Exchange Offer will substantially simultaneously be made by: (i) the delivery of notices to the Clearing Systems for communication to Direct Participants and (ii) publication on the website of Luxembourg Stock Exchange, and may also be found on the relevant Reuters International Insider Screen. Copies of all such announcements, press releases and notices can also be obtained from the Exchange and Information Agent, the contact details for which are on the last page of this Exchange Offer Memorandum. Significant delays may be experienced where notices are delivered to the Clearing Systems and Holders are urged to contact the Exchange and Information Agent for the relevant announcements during the course of the EUR TIF Exchange Offer. In addition, Holders of EUR TIF Original Notes may contact the Dealer Managers for information using the contact details on the last page of this Exchange Offer Memorandum.

Governing law

The EUR TIF Exchange Offer and any non-contractual obligations arising out of or in connection with the EUR TIF Exchange Offer, shall be governed by and construed in accordance with English law (see also "*Procedures for Participating in the EUR TIF Exchange Offer—Governing Law*").

EUR Minimum Series Exchange Condition, Final Series Acceptance Amount and Pro-Ration Factor

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, the EUR TIF Exchange Offer is conditional upon valid offers for exchange being received from (and not being validly withdrawn by) Eligible Holders of EUR TIF Original Notes and accepted in the EUR TIF Exchange Offer in a sufficient aggregate principal amount such that at least €300,000,000 in aggregate principal amount of EUR TIF New Notes would be issued, upon consummation of the EUR TIF Initial Exchange by TIF (the "**EUR Minimum Series Exchange Condition**"). TIF may elect, in its sole discretion, subject to applicable law, to decrease, increase or waive the EUR Minimum Series Exchange Condition with respect to the EUR TIF Original Notes and Holders will not be entitled to any revocation rights as a result of such increase, decrease or waiver. Accordingly, Holders should not rely on the EUR Minimum Series Exchange Condition in making their decision as to whether to offer for exchange their relevant EUR TIF Original Notes for exchange in the EUR TIF Exchange Offer. The EUR TIF Exchange Offer is also subject to the satisfaction or waiver of certain additional general conditions, each as described in this Exchange Offer Memorandum. See "*Conditions of the EUR TIF Exchange Offers*" beginning on page 18.

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, if TIF decides, in its sole discretion, to accept for exchange valid offers to exchange EUR TIF Original Notes pursuant to the EUR TIF Exchange Offer, the final acceptance amount for the EUR TIF Original Notes (the "**Final Series Acceptance Amount**") will be determined by TIF in its sole and absolute discretion and will be announced by TIF as soon as reasonably practicable following the EUR Expiration Time. For the avoidance of doubt, TIF will determine the Final Series Acceptance Amount in its sole and absolute discretion. In the event that the principal amount of EUR TIF Original Notes validly offered for exchange (and not validly withdrawn) exceeds the Final Series Acceptance Amount, offers to exchange in respect of the EUR TIF Original Notes are to be accepted by TIF on a pro rata basis and, for the purposes of such acceptance, each such offer for exchange will be scaled by a factor (the "**Pro-Ration Factor**") equal to (i) the Final

Series Acceptance Amount for the EUR TIF Original Notes, divided by (ii) the aggregate principal amount of the EUR TIF Original Notes that have been validly offered (and not validly withdrawn) for exchange (subject to adjustment to allow for the aggregate principal amount of the relevant EUR TIF Original Notes accepted for exchange to equal the Final Series Acceptance Amount). Each such offer for exchange will be rounded up or down to the nearest €1,000 in principal amount, after application of the Pro- Ration Factor, subject to the treatment of minimum denominations and the Minimum Exchange Amount (as defined below) as set out herein.

If application of the Pro-Ration Factor will result in either (i) the relevant Noteholder who is transferring EUR TIF Original Notes to TIF receiving less than the minimum denomination of the EUR TIF New Notes on exchange or (ii) EUR TIF Original Notes in a principal amount of less than €1,000 being returned to a Noteholder, then TIF will, in its sole and absolute discretion, either reject or accept all of such Noteholder's validly tendered EUR TIF Original Notes. EUR TIF Original Notes not accepted for exchange as a result of pro-ration will be returned to the relevant Noteholder. The calculations of the Pro- Ration Factor will be made by TIF and such calculations will be final and binding on all Eligible Holders, absent manifest error.

Consequences of Failure to Participate in the EUR TIF Exchange Offer

Any EUR TIF Original Notes that are not exchanged in the EUR TIF Exchange Offer will remain outstanding and will be entitled to the rights and benefits their holders have under the applicable terms and conditions thereof. If a sufficiently large aggregate principal amount of EUR TIF Original Notes does not remain outstanding after the EUR TIF Exchange Offer, the trading markets for the remaining outstanding aggregate principal amount of EUR TIF Original Notes may be less liquid. See "*Risk Factors—Risks Relating to the Non-Exchanging Holders of the Original Notes— The Exchange Offers may result in reduced liquidity for the Original Notes that are not exchanged*."

Delivery of EUR TIF New Notes

If EUR TIF Original Notes validly offered for exchange (and not validly withdrawn) pursuant to the EUR TIF Exchange Offer are accepted for exchange by TIF, the EUR TIF New Notes will be delivered on the EUR Settlement Date.

The EUR TIF New Notes will be delivered and the relevant Accrued Interest Amount in respect of the EUR TIF Original Notes and Participation Premium shall be paid in cash, to the Clearing System accounts in which the relevant EUR TIF Original Notes are held (see "*Procedures for Participating in the EUR TIF Exchange Offer*").

Provided TIF, or a person acting on TIF's behalf, delivers the relevant EUR TIF New Notes, the Accrued Interest Amount in respect of the EUR TIF Original Notes and Participation Premium in exchange for the EUR TIF Original Notes accepted for exchange by TIF in the EUR TIF Exchange Offer to the Clearing Systems on or before the EUR Settlement Date, under no circumstances will any additional interest be payable to a Participating Holder because of any delay in the delivery of EUR TIF New Notes by, or transmission of funds from, the relevant Clearing System or any other intermediary with respect to such EUR TIF Original Notes of that Participating Holder.

Termination, Withdrawal and Amendment of the EUR TIF Exchange Offer

Notwithstanding any other provision of the EUR TIF Exchange Offer, TIF, subject to applicable laws, at its option and in its sole discretion, at any time may:

- extend the EUR Expiration Time or re-open the EUR TIF Exchange Offer, as applicable (in which case all references in this Exchange Offer Memorandum to "*Expiration Time*" shall, unless the context otherwise requires, be to the latest time and date to which the EUR Expiration Time has been so extended or the EUR TIF Exchange Offer reopened);

- otherwise amend the EUR TIF Exchange Offer in any respect; or

- terminate the EUR TIF Exchange Offer.

TIF will ensure Holders of the EUR TIF Original Notes are notified of any such extension, re-opening, amendment or termination as soon as is reasonably practicable after the relevant decision is made. Such announcements will be made substantially simultaneously by (i) delivery of notices to the Clearing Systems for communication to Direct Participants and (ii) publication on the website of Luxembourg Stock Exchange, and may also be found on the relevant Reuters International Insider Screen. Copies of all such announcements, press releases and notices can also be obtained from the Exchange and Information Agent, the contact details for whom are on the last page of this Exchange Offer Memorandum.

If TIF amends any of the terms of the EUR TIF Exchange Offer in any way that, in the opinion of TIF (in consultation with the Dealer Managers) is materially prejudicial to Eligible Holders that have already submitted Instructions before the announcement of such amendment (which announcement shall include a statement whether in the opinion of the Issuer such amendment is materially prejudicial to such Eligible Holders), then all Instructions of affected EUR TIF Original Notes may be revoked at any time from the date and time of such announcement until 10:00 a.m. (CET) on the second day, other than a Saturday or Sunday or a public holiday on which commercial banks and foreign exchange markets are open for business in Luxembourg following such announcement (subject to the earlier deadlines required by the Clearing Systems and any intermediary through which such Eligible Holders hold their relevant EUR TIF Original Notes).

For the avoidance of doubt, any decision to increase, decrease or waive the EUR Minimum Series Exchange Condition with respect to the EUR TIF Original Notes and/or the Total Cap shall not be considered to be materially prejudicial to Noteholders.

Any decision by TIF to extend the EUR Expiration Time or re-open the EUR TIF Exchange Offer in accordance with "*Termination, Withdrawal and Amendment of the EUR TIF Exchange Offer*" above shall not be considered to be materially prejudicial to Eligible Holders that have already submitted Instructions before the announcement of such extension or re-opening and will not result in such Eligible Holders of the EUR TIF Original Notes receiving the right of revocation.

Eligible Holders wishing to exercise any such right of revocation should do so in accordance with the procedures set out in "*Procedures for Participating in the EUR TIF Exchange Offer*". Beneficial owners of EUR TIF Original Notes that are held through an intermediary are advised to check with such entity when it would require receipt of instructions to revoke an Instruction, in order to meet the above deadline. For the avoidance of doubt, any Eligible Holder who does not exercise any such right of revocation in the circumstances and in the manner specified above, shall be deemed to have waived such right of revocation and its original Instruction, will remain effective.

Certain Other Matters

TIF reserves the right at any time or from time to time to issue an invitation to Holders of the EUR TIF Original Notes to offer for exchange their EUR TIF Original Notes, on terms that may be more or less favorable than those contemplated by this Exchange Offer Memorandum.

ACCEPTANCE OF EUR TIF ORIGINAL NOTES; ACCRUAL OF INTEREST

Acceptance of EUR TIF Original Notes for Exchange

If the conditions to the EUR TIF Exchange Offer are satisfied, including the EUR Minimum Series Exchange Condition for the EUR TIF Original Notes or if TIF waives all of such conditions that have not been satisfied, and if TIF does not terminate the EUR TIF Exchange Offer, TIF will accept for exchange on the EUR Settlement Date, with respect to the EUR TIF Original Notes up to the Final Series Acceptance Amount validly offered (as described in "*Procedures for Participating in the EUR TIF Exchange Offer*") in the EUR TIF Exchange Offer and not validly withdrawn, the EUR TIF Original Notes to be exchanged by notifying the Exchange and Information Agent of TIF's acceptance, subject to the terms and conditions set forth in this Exchange Offer Memorandum, as described above under "*Terms of the EUR TIF Exchange Offer—General*". TIF must give such notice in writing to the Exchange and Information Agent and by making public disclosure by press release or other appropriate means to the extent required by law.

TIF expressly reserves the right, in its sole discretion, to delay acceptance of EUR TIF Original Notes offered for exchange pursuant to the EUR TIF Exchange Offer in order to comply with applicable laws.

TIF will at all times have the discretion to accept any EUR TIF Original Notes offered for exchange, the offer of which would otherwise be invalid or, in the sole opinion of TIF, may otherwise be invalid.

TIF is not under any obligation to accept any offer of EUR TIF Original Notes for exchange pursuant to the EUR TIF Exchange Offer and shall not be liable to any person for the failure to accept any offer of EUR TIF Original Notes for exchange pursuant to the EUR TIF Exchange Offer. Offers of EUR TIF Original Notes for exchange may be rejected in the sole discretion of TIF for any reason and TIF is not under any obligation to Holders of the EUR TIF Original Notes to furnish any reason or justification for refusing to accept an offer of EUR TIF Original Notes for exchange. For example, offers of EUR TIF Original Notes for exchange may be rejected if the EUR TIF Exchange Offer is terminated, if such offer does not comply with the relevant requirements of a particular jurisdiction, if the principal amount of EUR TIF Original Notes offered for exchange is not at least equal to the Minimum Exchange Amount, or for any other reason.

In all cases, TIF will only exchange EUR TIF Original Notes for EUR TIF New Notes after the submission of a valid Instruction in accordance with the procedures described in "*Procedures for Participating in the EUR TIF Exchange Offer*". These procedures include the blocking of the EUR TIF Original Notes offered for exchange in the relevant account in the relevant Clearing System from the date the relevant Instruction is submitted until the earliest of (i) the date on which they validly revoke their Instruction in the limited circumstances in which such revocation is permitted (see "*Terms of the EUR TIF Exchange Offer – Holders' Rights of Revocation*"), (ii) the date on which the EUR TIF Exchange Offer is terminated or withdrawn and (iii) the time of settlement of the EUR Initial Exchange on the EUR Settlement Date, all in accordance with the normal operating procedures of such Clearing System, and after taking into account the deadlines imposed by such Clearing System.

Accrued Interest

On the EUR Settlement Date, Participating Holders of EUR TIF Original Notes will receive a cash payment of the accrued and unpaid interest, if any, in respect of EUR TIF Original Notes validly offered for exchange (and not validly withdrawn), and accepted for exchange by TIF for the period from, and including, the immediately preceding interest payment date in respect of the EUR TIF Original Notes up to, but excluding, the EUR Settlement Date (the "**Accrued Interest Amount in respect of the EUR TIF Original Notes**"), and interest on the EUR TIF New Notes will begin to accrue on the issue date of the EUR TIF New Notes.

On the Acquisition Closing Date, Holders of EUR TIF New Notes will receive a cash payment from the Issuer of the accrued and unpaid interest, if any, in respect of EUR TIF New Notes for the period from, and including, the later of (x) the immediately preceding interest payment date in respect of the EUR TIF New Notes and (y) the EUR Settlement Date, as applicable, up to, but excluding, the Acquisition Closing Date (the "**Accrued Interest Amount in respect of the EUR TIF New Notes**"), and interest on the EUR Optics (TIF) Notes will begin to accrue on the issue date of the EUR Optics (TIF) Notes.

Under no circumstances will any special interest be payable because of any delay in the transmission of funds to any Participating Holder of EUR TIF Original Notes with respect to the EUR TIF New Notes to be received in exchange for the EUR TIF Original Notes or with respect to the EUR Optics (TIF) Notes to be received in exchange for EUR TIF New Notes in the EUR TIF Mandatory Acquisition Exchange or otherwise.

PROCEDURES FOR PARTICIPATING IN THE EUR TIF EXCHANGE OFFER

Holders who need assistance with respect to the procedures for participating in the EUR TIF Exchange Offer should contact the Exchange and Information Agent, the contact details for whom are on the last page of this Exchange Offer Memorandum.

Summary of action to be taken

In order to participate in the EUR TIF Exchange Offer, each Holder must deliver, or arrange to have delivered on its behalf, Instructions through the Clearing Systems in accordance with the procedures of, and within the time limit specified by, the Clearing Systems for receipt by the Exchange and Information Agent on or prior to the EUR Expiration Time. TIF will only accept an offer of EUR TIF Original Notes for exchange by way of the submission of a valid Instruction in accordance with the procedures set out in this section.

Holders are advised to check with any bank, securities broker or other intermediary through which they hold EUR TIF Original Notes when such intermediary would require to receive instructions to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the EUR TIF Exchange Offer in order to meet the deadlines specified in this Exchange Offer Memorandum. ***The deadlines set by any such intermediary and each Clearing System for the submission and withdrawal of Instructions will be earlier than the relevant deadlines specified in this Exchange Offer Memorandum****.*

Submission of Instructions

The offer of EUR TIF Original Notes by a Holder for exchange or the submission of an Instruction will be deemed to have occurred upon receipt by the Exchange and Information Agent from the relevant Clearing System of a valid Instruction submitted in accordance with the requirements of such Clearing System.

The receipt of an Instruction by the relevant Clearing System will be acknowledged in accordance with the standard practices of such Clearing System and will result in the blocking of the relevant EUR TIF Original Notes in the relevant Holder's account, so that no transfers may be effected in relation to such EUR TIF Original Notes.

Holders must take the appropriate steps through the relevant Clearing System so that no transfers may be effected in relation to such blocked EUR TIF Original Notes at any time after the date of submission of such Instruction, in accordance with the requirements of the relevant Clearing System and the deadlines required by such Clearing System. By blocking such EUR TIF Original Notes in the relevant Clearing System, each Direct Participant will be deemed to consent to have the relevant Clearing System provide details concerning such Direct Participant's identity to the Exchange and Information Agent (and for the Exchange and Information Agent to provide such details to TIF and the Dealer Managers).

Only Direct Participants may submit Instructions. Each Holder that is not a Direct Participant must arrange for the Direct Participant through which such Holder holds its EUR TIF Original Notes to submit an Instruction on its behalf to the relevant Clearing System by the deadlines specified by the relevant Clearing System, which may be earlier than the deadlines specified in this Exchange Offer Memorandum.

The receipt of an Instruction by the relevant Clearing System will constitute instructions to debit the securities account of the relevant Holders on the EUR Settlement Date in respect of all of the accepted EUR TIF Original Notes that such Holder has offered for exchange, upon receipt by such Clearing System of an instruction from the Exchange and Information Agent to deliver such EUR TIF Original Notes against credit of the relevant principal amount of EUR TIF New Notes and payment in cash of the applicable Participation Premium and the Accrued Interest Amount in respect of the EUR TIF Original Notes; or subject to the automatic withdrawal of those instructions on the date of any termination of the EUR TIF Exchange Offer or on the valid revocation of such Instruction, in the limited circumstances in which such revocation is permitted as described in this Exchange Offer Memorandum, and subject to acceptance of the relevant EUR TIF Original Notes for exchange or purchase by TIF and the satisfaction of all other conditions of the EUR TIF Exchange Offer.

Instructions are irrevocable except in the limited circumstances described in "*Terms of the EUR TIF Exchange Offer – Holders' Rights of Revocation*". In such circumstances, Instructions may be revoked by a Holder, or the relevant Direct Participant on its behalf, by submitting a valid electronic withdrawal instruction to the relevant Clearing System. To be valid, such instruction must specify the EUR TIF Original Notes to which the original Instruction related, the securities account to which such EUR TIF Original Notes are credited and any other information required by the relevant Clearing System.

The failure of any person to receive a copy of this Exchange Offer Memorandum or any announcement made or notice issued in connection with the EUR TIF Exchange Offer shall not invalidate any aspect of the EUR TIF Exchange Offer. No acknowledgement of receipt of any Instruction and/or other documents will be given by TIF, TIM, the Dealer Managers, the EUR TIF Original Notes Agent (as defined herein) or the Exchange and Information Agent.

Representations and Undertakings of Holders

By submitting a valid Instruction to the relevant Clearing System in accordance with the standard procedures of such Clearing System, a Holder and any Direct Participant submitting such Instruction on such Holder's behalf shall be deemed to agree, and acknowledge, represent, warrant and undertake, to TIF, TIM, Optics, the Dealer Managers, the EUR TIF Original Notes Agent, the New Notes Trustee, the New Notes Agent, the Optics Notes Trustee, the Optics Notes Transfer Agent and Registrar, the Optics Notes Paying Agent and the Exchange and Information Agent at the EUR Expiration Time and on the EUR Settlement Date (if a Holder or Direct Participant is unable to make any such agreement or acknowledgement or give any such representation, warranty or undertaking, such Holder or Direct Participant should contact the Exchange and Information Agent immediately) that:

- it is an Eligible Holder;
- upon the terms and subject to the conditions of the EUR TIF Exchange Offer, it accepts such EUR TIF Exchange Offer in respect of the principal amount of EUR TIF Original Notes in its account blocked in the relevant Clearing System;
- subject to and effective upon the acceptance for exchange of the EUR TIF Original Notes offered, it sells, assigns and transfers to TIF all right, title and interest in and to such EUR TIF Original Notes as are being offered;
- it irrevocably constitutes and appoints the Exchange and Information Agent as its true and lawful agent, attorney-in-fact and proxy with respect to EUR TIF Original Notes offered for exchange, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), among other things, to cause the EUR TIF Original Notes to be assigned, transferred and exchanged (including delivery of any certificates representing the EUR TIF Original Notes and all applicable evidences of transfer and authenticity and presentation of the EUR TIF Original Notes for transfer on the security register, as applicable) and to receive all benefits or otherwise exercise all rights of beneficial ownership of the EUR TIF Original Notes (except that the Exchange and Information Agent will have no rights to, or control over, TIF's funds), all in accordance with the terms of the EUR TIF Exchange Offer;
- it irrevocably constitutes and appoints the New Notes Trustee, the New Notes Agent, the Optics Notes Trustee, the Optics Notes Transfer Agent and Registrar and the Optics Notes Paying Agent, as directed by TIF and Optics (or another agent of TIF and/or the Optics) as its true and lawful agent, attorney-in-fact and proxy with respect to the EUR TIF New Notes to effect the EUR TIF Mandatory Acquisition Exchange pursuant to the terms described in this Exchange Offer Memorandum, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), among other things, to cause the EUR TIF New Notes to be assigned, transferred and exchanged and to receive all benefits or otherwise exercise all rights of beneficial ownership of EUR TIF New Notes, all in accordance with the terms of the EUR TIF Mandatory Acquisition Exchange;

- it will, upon request, execute and deliver any additional documents deemed by TIF to be necessary or desirable to complete the sale, assignment and transfer of the EUR TIF Original Notes offered for exchange or for the EUR TIF Mandatory Acquisition Exchange;

- it recognizes that, under certain circumstances set forth below in the section "Conditions of the EUR TIF Exchange Offer", TIF may not be required to accept for exchange any of the EUR TIF Original Notes offered for exchange;

- it must bear the economic risk of its investment in the EUR TIF New Notes (including the EUR TIF Mandatory Acquisition Exchange into the EUR Optics (TIF) Notes) for an extended period of time;

- it has knowledge and experience in financial and business matters and it is capable of evaluating the merits and risks of an investment in the applicable EUR TIF New Notes (including the EUR TIF Mandatory Acquisition Exchange into the EUR Optics (TIF) Notes);

- it has carefully reviewed this Exchange Offer Memorandum, has been furnished with all other materials that it considers relevant to an investment in the applicable EUR TIF New Notes (including the EUR TIF Mandatory Acquisition Exchange into the EUR Optics (TIF) Notes), have had a full opportunity to ask questions of and receive answers from TIF, TIM or any person or persons acting on behalf of TIF concerning the terms and conditions of an investment in the EUR TIF New Notes (including the EUR TIF Mandatory Acquisition Exchange into the EUR Optics (TIF) Notes) and no statement or printed material which is contrary to this Exchange Offer Memorandum has been made or given to it by or on behalf of TIF and or TIM;

- it acknowledges there are risks incident to the acquisition of the EUR TIF New Notes, including, without limitation, those risks which are summarized under the section entitled "Risk Factors" in this Exchange Offer Memorandum;

- it recognizes that TIF is relying upon such Holder's representations, warranties and agreements contained in this Exchange Offer Memorandum in determining the applicability of certain laws and regulations to the EUR TIF Exchange Offer;

- it agrees to be bound by the terms and subject to the conditions set forth in this Exchange Offer Memorandum;

- it has full power and authority to offer for exchange, sell, assign and transfer the offered EUR TIF Original Notes;

- when such EUR TIF Original Notes are accepted for exchange, TIF will acquire good and unencumbered title to such EUR TIF Original Notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim and such EUR TIF Original Notes will not have been transferred to TIF in violation of any contractual or other restriction on the transfer thereof;

- any EUR TIF New Notes acquired in exchange for offered EUR TIF Original Notes will have been acquired in the ordinary course of business of the person receiving such EUR TIF New Notes, whether or not it is such person;

- it is aware that any EUR TIF New Notes include the mandatory exchanges pursuant to the EUR TIF Mandatory Acquisition Exchange for the receipt of EUR Optics (TIF) Notes without any further consent or action on their part on the Acquisition Closing Date and it hereby authorizes and directs the New Notes Trustee, the New Notes Agent, the Optics Notes Transfer Agent and Registrar, the Optics Notes Paying Agent and the Optics Notes Trustee to take any and all necessary actions on their behalf to accomplish the mandatory exchange of the EUR TIF New Notes for the EUR Optics (TIF) Notes;

- except as set forth herein, no information has been provided to it by TIM, TIF, Optics, the Dealer Managers or the Exchange and Information Agent with regard to the tax consequences to holders of

EUR TIF Original Notes arising from (i) the exchange of EUR TIF Original Notes in the EUR TIF Initial Exchange for the receipt of EUR TIF New Notes, (ii) the exchange of the EUR TIF New Notes in the EUR TIF Mandatory Acquisition Exchange for the receipt of EUR Optics (TIF) Notes or (iii) the ownership or disposition of EUR TIF New Notes or EUR Optics (TIF) Notes, and it hereby acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in the EUR TIF Exchange Offer (including the EUR TIF Mandatory Acquisition Exchange) and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against TIF, TIM, Optics, the Dealer Managers, the EUR TIF Original Notes Agent, the New Notes Agent, the Optics Notes Trustee, the Optics Notes Transfer Agent and Registrar, the Optics Notes Paying Agent, the Exchange and Information Agent or any other person in respect of such taxes and payments;

- it and the person receiving the EUR TIF New Notes are not persons to whom it is unlawful to make an invitation under the EUR TIF Exchange Offer under applicable laws;

- it and the person receiving the EUR TIF New Notes have observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction, and that it and such person or persons have not taken or omitted to take any action in breach of the terms of the EUR TIF Exchange Offer or which will or may result in TIF, TIM or Optics or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the EUR TIF Exchange Offer or the offer of the EUR TIF Original Notes in connection therewith;

- it has received this Exchange Offer Memorandum, and has reviewed and accepts the offer and distribution restrictions, terms, conditions, risk factors, the relevant Conditions of the EUR New Notes and other considerations relating to the EUR TIF Exchange Offer, all as described in this Exchange Offer Memorandum, and has undertaken an appropriate analysis of the implications of the EUR TIF Exchange Offer, without relying on TIF, TIM, the Dealer Managers, the EUR TIF Original Notes Agent or the Exchange and Information Agent;

- by submitting or procuring the submission of an Instruction to, and by blocking the relevant EUR TIF Original Notes in, the relevant Clearing System, it will be deemed to consent, in the case of a Direct Participant, to have that Clearing System provide any details set forth in the Instruction to TIF, the Dealer Managers, the EUR TIF Original Notes Agent, and the Exchange and Information Agent and their respective advisers and it acknowledges that its Instruction contains an offer to enter into a contractual relationship with the Issuer in accordance with the terms of the EUR TIF Exchange Offer and that, consequently, the information contained in such Instruction is required in connection with the EUR TIF Exchange Offer and it agrees that the Exchange and Information Agent will store, process and use the data contained in such Instruction to the extent required for the completion of the EUR TIF Exchange Offer and/or the exercise of any rights under the representations, warranties and undertakings given in connection with the EUR TIF Exchange Offer;

- upon and subject to the terms and the conditions of the EUR TIF Exchange Offer, it irrevocably submits and agrees for the principal amount of EUR TIF Original Notes in its account to be blocked in the relevant Clearing System (such principal amount of EUR TIF Original Notes being at least equal to the Minimum Exchange Amount) and, subject to and effective upon such exchange by TIF, it renounces all right, title and interest in and to all such EUR TIF Original Notes exchanged by or at the direction of TIF and waives and releases any rights or claims it may have against TIF and TIM with respect to any such EUR TIF Original Notes and the EUR TIF Exchange Offer (including, without limitation, in relation to the Accrued Interest Amount in respect of the EUR TIF Original Notes);

- the exchange of EUR TIF Original Notes shall be deemed to constitute full performance and satisfaction by TIF and TIM of all of their obligations under the EUR TIF Original Notes and the EUR TIF Exchange Offer, such that following the exchange or substitution and cancellation of such EUR TIF Original Notes

and delivery of the applicable EUR TIF New Notes and payment in cash of the applicable Participation Premium and the Accrued Interest Amount in respect of the EUR TIF Original Notes, it shall have no contractual or other rights or claims in law or equity arising out of or related to its EUR TIF Original Notes;

- if it has submitted such Instructions through any custodian or any other holder or third party acting on its behalf, it has constituted and appointed such custodian, holder or third party as its true and lawful agent and attorney to carry out all the necessary actions that are required to submit such Instructions pursuant to the EUR TIF Exchange Offer and to transfer such EUR TIF Original Notes for cancellation and it will not revoke any instructions and/or powers-of-attorney given to such custodian, holder or third party unless it validly revokes such Instruction;

- it has observed the applicable laws of all relevant jurisdictions; obtained all requisite governmental, exchange control or other required consents; complied with all requisite formalities; and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction and that it has not taken or omitted to take any action in breach of the terms of the EUR TIF Exchange Offer or which will or may result in TIF, TIM, Optics, the Dealer Managers, the EUR TIF Original Notes Agent, the Exchange and Information Agent or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction, in the case of each of the foregoing, in connection with the EUR TIF Exchange Offer;

- all authority conferred or agreed to be conferred pursuant to its acknowledgements, agreements, representations, warranties and undertakings, and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives, and shall not be affected by, and shall survive, its death or incapacity or that of the party on whose behalf such holder is acting;

- it is not located or resident in the United Kingdom or, if it is located or resident in the United Kingdom, it is a person falling within the definition of Investment Professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order")) or within Article 43(2) of the Order, or to whom this Exchange Offer Memorandum and any other documents or materials relating to the EUR TIF Exchange Offer may otherwise lawfully be communicated in accordance with the Order;

- it is not located or resident in Italy or, if it is located or resident in Italy, it is a Qualified Investor that is an authorized person or is offering for exchange and transfer its EUR TIF Original Notes through an authorized person (such as an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance, as applicable, with the Italian Financial Services Act, as amended, CONSOB regulation No. 20307 of February 15, 2018 (the "**CONSOB Regulation on Intermediaries**") on Intermediaries, as amended, and Legislative Decree No. 385 of September 1, 1993, as amended and any other applicable laws and regulations), and in compliance with all relevant Italian securities, tax and exchange control and other applicable Italian laws and regulations and any other applicable requirements or limitations which may be imposed from time to time by CONSOB, the Bank of Italy or any other Italian competent authority;

- it is outside the Republic of France or, if it is located in the Republic of France, it is (i) a provider of investment services relating to portfolio management for the account of third parties (*personne fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*); and/or (ii) a qualified investor (*investisseur qualifié*), as defined in and in accordance with Articles L.411-1 and D.411-2 to D.411-3 of the French Code monétaire et financier;

- it is not located or resident in Belgium or, if it is located or resident in Belgium it is a qualified investor within the meaning of Article 10 of the Belgian Law of June 16, 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets;

- it is and the person receiving the EUR TIF New Notes is not located or resident in Switzerland, did not receive this Exchange Offer Memorandum or any invitation to participate in the EUR TIF Exchange Offer in Switzerland and is not acting on behalf of investors located or resident in Switzerland;

- it is not, and is not owned or controlled by, a Sanctions Restricted Person, provided that this representation shall only apply if and to the extent that it would not result in a violation or breach of, or conflict with, (a) Council Regulation (EC) No 2271/96 of November 22, 1996 (or any law or regulation implementing such Regulation in any member state of the European Union, including Section 7 of the German Foreign Trade Ordinance (*Außenwirtschaftsverordnung*)); (b) any similar blocking or anti-boycott law of the United Kingdom (including, without limitation, Council Regulation (EC) No 2271/96 as it forms a part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018);

- it has full power and authority to offer for exchange and transfer the EUR TIF Original Notes offered for exchange and, if such EUR TIF Original Notes are accepted for exchange by TIF, such EUR TIF Original Notes will be transferred to, or to the order of, TIF with full title free from all liens, charges and encumbrances, not subject to any adverse claim and together with all rights attached to such EUR TIF New Notes, and it will, upon request, execute and deliver any additional documents and/or do such other things deemed by TIF to be necessary or desirable to complete the transfer of such EUR TIF New Notes or to evidence such power and authority;

- it holds and will hold, until the time of the EUR Settlement Date, the TIF Original Notes blocked in the relevant Clearing System and, in accordance with the requirements of, and by the deadline required by, such Clearing System, it has submitted, or has caused to be submitted, an Instruction to such Clearing System to authorize the blocking of the EUR TIF Original Notes offered for exchange with effect on and from the date of such submission so that, at any time pending the transfer of such EUR TIF Original Notes on the EUR Settlement Date to TIF or to its agent on its behalf and, no transfers of such EUR TIF Original Notes may be effected;

- the terms and conditions of the EUR TIF Exchange Offer shall be deemed to be incorporated in, and form a part of, the Instruction which shall be read and construed accordingly, and that the information given by or on behalf of such Noteholder in the Instruction is true and will be true in all respects at the time of the exchange on the EUR Settlement Date;

- it accepts that TIF is under no obligation to accept EUR TIF Original Notes for exchange pursuant to the EUR TIF Exchange Offer, and accordingly any such EUR TIF Exchange Offer may be accepted or rejected by TIF in its sole discretion and for any reason and accepts that TIF shall not be liable to any person for the failure to accept any offer of EUR TIF Original Notes for exchange pursuant to the EUR TIF Exchange Offer;

- it understands that acceptance for exchange of EUR TIF Original Notes validly offered for exchange pursuant to the EUR TIF Exchange Offer will constitute a binding agreement between it and TIF, in accordance with and subject to the terms and conditions of the EUR TIF Exchange Offer;

- if any one or more of the above representations, warranties and undertakings made by or with respect to it shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining representations, warranties and undertakings made by or with respect to it, and the representations, warranties and undertakings made by or with respect to all other holders, shall in no way be affected, prejudiced or otherwise disturbed thereby;

- it shall indemnify TIF, TIM, Optics, the Dealer Managers, the EUR TIF Original Notes Agent, the EUR TIF Original Notes Agent, the New Notes Agent, the Optics Notes Trustee, the Optics Notes Transfer Agent and Registrar, the Optics Notes Paying Agent and the Exchange and Information Agent against all and any losses, costs, claims, liabilities, expenses, charges, actions or demands which any of them may incur or which may be made against any of them as a result of any breach of any of the terms of, or

any of the acknowledgements, representations, warranties and/or undertakings given pursuant to, the EUR TIF Exchange Offer by any such holder;

- it irrevocably direct the Optics Notes Trustee to execute and deliver the necessary documentation to enter into the Intercreditor Agreement entered on December 19, 2023 by and between, among others, Optics and UniCredit S.p.A., as the facility agent, certain creditors thereunder and the Optics Notes Security Agent, as amended, supplemented and restated from time to time;

- it understands that in the event of a termination of the EUR TIF Exchange Offer, the Instructions with respect to such EUR TIF Original Notes will be deemed to be withdrawn, and the EUR TIF Original Notes will be unblocked in the Direct Participant's Clearing System account;

- it understands that validly offered EUR TIF Original Notes (or defectively offered EUR TIF Original Notes with respect to which TIF has waived, or has caused to be waived, such defect) will be deemed to have been accepted by TIF if, as and when TIF gives oral or written notice thereof to the Exchange and Information Agent;

- If it is a broker-dealer, it additionally represents, warrants and agrees that:

  - it has not entered into any arrangement or understanding with the Issuer to distribute any EUR TIF New Notes in connection with any resale of such notes;

  - it acquired the EUR TIF Original Notes to be exchanged for EUR TIF New Notes as a result of market-making activities or other trading activities;

  - it understands and acknowledges that the EUR TIF New Notes (or the EUR Optics (TIF) Notes, if any) are not and will not be registered under the U.S. Securities Act or any U.S. state securities laws and are therefore subject to restrictions on transferability and resale; and

  - it agrees to notify the Issuer prior to using this Exchange Offer Memorandum in connection with the sale or transfer of any EUR TIF New Notes and agrees that, upon receipt of notice from the Issuer of the occurrence of any event that makes any statement in this Exchange Offer Memorandum untrue in any material respect or which requires changes to this Exchange Offer Memorandum in order to make the statements herein (in light of the circumstances under which they were made) not misleading, you will suspend use of this Exchange Offer Memorandum until:

    - the Issuer has amended or supplemented this Exchange Offer Memorandum to correct such misstatement or omission; and

    - the Issuer has furnished copies of the amended or supplemented Exchange Offer Memorandum to you.

General

Binding

A valid Instruction, upon receipt by the relevant Clearing System and the Exchange and Information Agent, will constitute a binding agreement between the relevant Holder and TIF in accordance with its terms, and subject to the conditions, set forth in this Exchange Offer Memorandum and the Instruction.

Separate Instructions

Instructions must be submitted in respect of a principal amount of EUR TIF Original Notes of no less than €100,000 and may thereafter be submitted in integral multiples of €1,000. A separate Instruction must be completed on behalf of each beneficial owner of the EUR TIF Original Notes and in respect of the EUR TIF Original Notes.

Offer to exchange instructions submitted other than in accordance with the procedures set out in this section will not be accepted

Subject as set out under "*Irregularities*" below, TIF will only accept the offer of EUR TIF Original Notes for exchange and Holders of EUR TIF Original Notes may only otherwise offer EUR TIF Original Notes for exchange, by way of the submission of valid Instruction in accordance with the procedures set out in this section "*Procedures for Participating in the Exchange Offers*". Noteholders should not send Instructions to TIF or the Dealer Managers.

Irrevocability

The submission of a valid Instruction in accordance with the procedures set out in this section "*Procedures for Participating in the EUR TIF Exchange Offer*" will be irrevocable (except in the limited circumstances described in the section entitled "*Terms of the EUR TIF Exchange Offer —Termination, Withdrawal and Amendment of the EUR TIF Exchange Offer*").

Irregularities

All questions as to the validity, form, eligibility and valid revocation (including times of receipt) of any Instruction will be determined by TIF, in its sole discretion, which determination shall be final and binding.

TIF reserves the absolute right to reject any and all Instructions, and Revocation Instructions not in proper form or for which any corresponding agreement by TIF to exchange would, in the opinion of TIF and its legal advisers, be unlawful. TIF also reserves the absolute right to waive any defects, irregularities or delay in the submission of any and all Instructions, or Revocation Instructions. TIF also reserves the absolute right to waive any such defect, irregularity or delay in respect of particular EUR TIF Original Notes, whether or not TIF elects to waive similar defects, irregularities or any delay in respect of other TIF Original Notes.

Any defect, irregularity or delay must be cured within such time as the Issuer determines, unless waived by it. The Instruction or will be deemed not to have been made until such defects, irregularities or delays have been cured or waived. None of TIF, TIM, the Dealer Managers, the EUR TIF Original Notes Agent or the Exchange and Information Agent shall be under any duty to give notice to any Holders of any defects, irregularities or delays in any Instruction, and Revocation Instruction, nor shall any of them incur any liability for failure to give such notice.

Governing Law

The EUR TIF Exchange Offer, any Instruction, any Revocation Instruction, any exchange of EUR TIF Original Notes pursuant to the EUR TIF Exchange Offer and any non-contractual obligations arising out of or in connection with the foregoing shall be governed by and construed in accordance with English law. By submitting an Instruction, or Revocation Instruction, the relevant Holder irrevocably and unconditionally agrees for the benefit of TIF, TIM, the Dealer Managers, the EUR TIF Original Notes Agent, the New Notes Agent, the Optics Notes Trustee, the Optics Notes Transfer Agent and Registrar, the Optics Notes Paying Agent and the Exchange and Information Agent that the courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the EUR TIF Exchange Offer, or any of the documents referred to above and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

CONDITIONS OF THE EUR TIF EXCHANGE OFFER

TIF is not under any obligation to accept any offer with respect to the EUR TIF Original Notes for exchange pursuant to the EUR TIF Exchange Offer and TIF shall not be liable in respect of the failure to accept such EUR TIF Original Notes.

TIF may, in its sole discretion, reject an offer with respect to the EUR TIF Original Notes for exchange made pursuant to the EUR TIF Exchange Offer for any reason and TIF is not under any obligation to Holders of EUR TIF Original Notes to furnish any reason or justification for refusing to accept an offer with respect to the EUR TIF Original Notes for exchange. For example, an offer of EUR TIF Original Notes for exchange may be rejected if the EUR TIF Exchange Offer is terminated, if such offer does not comply with the relevant requirements of a particular jurisdiction or for any other reason.

TIF's acceptance of any EUR TIF Original Notes validly offered for exchange (and not validly withdrawn) will be irrevocable and will be subject only to satisfaction of the General Conditions described below. Once accepted (subject only as aforesaid), the EUR TIF Exchange Offer will constitute binding obligations of the offering Holders and TIF to settle the EUR TIF Exchange Offer.

The EUR TIF Exchange Offer for the EUR TIF Original Notes is conditioned upon the following conditions being satisfied:

- the EUR Minimum Series Exchange Condition;
- there shall not have been instituted, threatened or be pending any action, proceeding, application, claim counterclaim or investigation (whether formal or informal) (or there shall not have been any material adverse development to any action, application, claim counterclaim or proceeding currently instituted, threatened or pending) before or by any court, governmental, regulatory or administrative agency or instrumentality, domestic or foreign, or by any other person, domestic or foreign, in connection with the EUR TIM Exchange Offers and/or the EUR TIF Exchange Offer and/or the USD Exchange OfferS that, in TIF's sole judgment, either (a) is, or is reasonably likely to be, materially adverse to the TIF's business, operations, properties, condition (financial or otherwise), income, assets, liabilities or prospects, (b) would or might prohibit, prevent, restrict or delay consummation of the EUR TIF Exchange Offer or (c) would materially impair the contemplated benefits of the EUR TIF Exchange Offer to TIF or be material to holders in deciding whether to accept the EUR TIF Exchange Offer;
- an order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall not have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in TIF's sole judgment, either (a) would or might prohibit, prevent, restrict or delay consummation of the EUR TIF Exchange Offer or (b) is, or is reasonably likely to be, materially adverse to TIF's business, operations, properties, condition (financial or otherwise), income, assets, liabilities or prospects;
- there shall not have occurred or be likely to occur any event or condition affecting TIF's or its subsidiaries' business or financial affairs that, in TIF's sole judgment, either (a) is, or is reasonably likely to be, materially adverse to the TIM's and/or NetCo's business, operations, properties, condition (financial or otherwise), income, assets, liabilities or prospects, (b) would or might prohibit, prevent, restrict or delay consummation of the EUR TIF Exchange Offer or (c) would materially impair the contemplated benefits of the EUR TIF Exchange Offer to TIF or be material to holders in deciding whether to accept the EUR TIF Exchange Offer;
- the consummation of the EUR TIF Exchange Offer (including the EUR TIF Mandatory Acquisition Exchange) would not, in TIF's sole judgment, violate any terms of TIF's existing obligations;
- the EUR TIF Original Notes Agent shall not have objected in any respect to or taken action that could, in TIM's sole judgment, adversely affect the consummation of the EUR TIF Exchange Offer (including the EUR TIF Mandatory Acquisition Exchange) or shall not have taken any action that challenges the

validity or effectiveness of the procedures used by TIF in the making of the EUR TIF Exchange Offer or the acceptance of, or payment for, some or all of the EUR TIF Original Notes pursuant to the EUR TIF Exchange Offer;

- there does not exist, in TIF's sole judgment, any actual or threatened legal impediment to the acceptance for exchange of, or exchange of, the EUR TIF Original Notes or for the consummation of the EUR TIF Exchange Offer (including the EUR TIF Mandatory Acquisition Exchange); and
- there has not occurred (a) any general suspension of, or limitation on prices for, trading in securities in the United States securities or financial markets, (b) any significant adverse change in the price of TIF's securities, (c) a material impairment or significant adverse change in pricing in the trading market for debt securities, (d) a declaration of a banking moratorium or any suspension of payments in respect to banks in the United States, any jurisdiction of the European Union, the United Kingdom or other major financial markets, (e) any limitation (whether or not mandatory) by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, or other event that, in TIF's reasonable judgment, might affect the extension of credit by banks or other lending institutions, (f) a commencement of a war, armed hostilities, terrorist acts or other national or international calamity directly or indirectly involving the United States or any jurisdiction of the European Union, the United Kingdom or (g) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof.

(together, the "**General Conditions**").

Each of the General Conditions is for the sole benefit of TIF. The General Conditions may be waived by TIF, in whole or in part, at any time and from time to time, in its discretion with respect to the EUR TIF Original Notes. For the avoidance of doubt, the waiver of any General Condition shall not be considered to be materially prejudicial to Eligible Holders that have already submitted Instructions before the announcement of such amendment and will not result in Noteholders receiving the right of revocation (see "*Terms of the EUR TIF Exchange Offer – Holders' Rights of Revocation*").

Any determination by TIF concerning the conditions set forth above (including whether or not any such condition has been satisfied or waived) will be final and binding upon all parties. If the foregoing General Conditions are not satisfied, in the opinion of TIF, or waived by TIF in full with respect to the EUR TIF Original Notes, the invitation to offer EUR TIF Original Notes for exchange, will lapse.

Notwithstanding the satisfaction of the above General Conditions, TIF expressly reserves the right, in its sole discretion, to delay delivery of the EUR TIF New Notes offered for exchange pursuant to the EUR TIF Exchange Offer, in order to comply with applicable laws.

SUMMARY OF THE TERMS OF THE EUR TIF EXCHANGE OFFER

The summary below describes the principal terms of the EUR TIF Exchange Offer. Certain of the terms and conditions described below are subject to important limitations and exceptions. For a more complete understanding of the terms and conditions of the EUR TIF Exchange Offer, you should read this entire Exchange Offer Memorandum.

The EUR TIF Exchange Offer	TIF is inviting Eligible Holders to offer for exchange their EUR TIF Original Notes (the "**EUR TIF Initial Exchange**") for an equal aggregate principal amount of EUR TIF New Notes subject to the Total Cap. The "**EUR TIF Exchange Offer**" refers herein to the EUR TIF Initial Exchange of the EUR TIF New Notes, with the EUR TIF Mandatory Acquisition Exchange included within the terms and conditions of the EUR TIF New Notes.
Total Cap	Up to €5.0 billion in aggregate principal amount of the EUR TIM Original Notes, EUR TIF Original Notes and/or USD Original Notes to be accepted across the Exchange Offers in the sole discretion of TIM, TIF and/or TICAP, by TIM, TIF and/or TICAP, as applicable, in accordance with the terms and subject to the conditions set forth in this Exchange Offer Memorandum, the EUR TIM Exchange Offer Memorandum and the USD Exchange Offer Memorandum, as the case may be.
Final Series Acceptance Amount.............	The final acceptance amount for the EUR TIF Original Notes that TIF decides, in its sole discretion, to accept for exchange valid offers to exchange EUR TIF Original Notes pursuant to the EUR TIF Exchange Offer. The Final Series Acceptance Amount will be determined by TIF in its sole and absolute discretion and will be announced by TIF as soon as reasonably practicable following the EUR Expiration Time.
Minimum Exchange Amount	Eligible Holders who wish to participate in the EUR TIF Exchange Offer must offer for exchange their EUR TIF Original Notes for an aggregate principal amount of EUR TIF Original Notes that is sufficient to receive at least €100,000 in principal amount of the EUR TIF New Notes in the EUR TIF Exchange Offer (the "**Minimum Exchange Amount**").
Conditions to the EUR TIF Exchange Offer	The EUR TIF Exchange Offer of EUR TIF Original Notes is conditional upon valid offers for exchange being received from (and not being validly withdrawn by) Eligible Holders of EUR TIF Original Notes and accepted in the EUR TIF Exchange Offer in a sufficient aggregate principal amount such that at least €300,000,000 in aggregate principal amount of the EUR TIF New Notes would be issued upon consummation of the EUR TIF Initial Exchange(the "**EUR Minimum Series Exchange Condition**"). TIF may elect, in its sole discretion, subject to applicable law, to decrease, increase or waive the EUR Minimum Series Exchange Condition with respect to the EUR TIF Original Notes and Eligible Holders will not be entitled to any revocation rights as a result of such increase, decrease or waiver. The EUR TIF Exchange Offer is also subject to the satisfaction or waiver of certain additional general conditions each as described in this Exchange Offer Memorandum. See "*Conditions of the EUR TIF Exchange Offer*" beginning on page 18.

EUR Expiration Time .... The EUR TIF Exchange Offer will expire at 5:00 P.M., CET, on May 1, 2024, unless extended, re-opened or terminated.

EUR Settlement Date................................ Subject to the terms and conditions of the EUR TIF Exchange Offer, the settlement date for the EUR TIF Initial Exchange will be as soon as practicable following the EUR Expiration Time and expected to be on May 8, 2024.

Pro-Ration Factor.................................... If TIF decides to accept valid exchange instructions of EUR TIF Original Notes and the aggregate principal amount of EUR TIF Original Notes validly exchanged is greater than the Final Series Acceptance Amount, EUR TIF Original Notes are to be accepted on a *pro rata* basis. In the event of any such proration, TIF shall determine the applicable pro-ration factor (the "**Pro-Ration Factor**") by dividing the Final Series Acceptance Amount by the aggregate principal amount of the EUR TIF Original Notes validly offered and not validly withdrawn in the EUR TIF Exchange Offer, subject to certain adjustments to equal the Final Series Acceptance Amount.

EUR TIF Mandatory Acquisition Exchange.. If, on or before the Longstop Date, the Acquisition is, or will be, consummated, then upon no less than five business days prior notice by TIF to the New Notes Agent, Optics and the holders of the EUR TIF New Notes, on the Acquisition Closing Date, the EUR TIF New Notes will be mandatorily exchanged without the need for further action by the holders of the EUR TIF New Notes (the "**EUR TIF Mandatory Acquisition Exchange**") for an equal aggregate principal amount of EUR Optics (TIF) Notes to be issued by Optics with the same maturity and interest rate as the EUR TIF New Notes but with other terms as described elsewhere in this Exchange Offer Memorandum.

Upon consummation of the EUR TIF Mandatory Acquisition Exchange, the EUR TIF New Notes will be cancelled.

The EUR TIF New Notes .... For a description of the terms of the EUR TIF New Notes, see "*Terms and Conditions of the EUR TIF New Notes*".

The EUR Optics (TIF) Notes .... For a description of the terms of the EUR Optics (TIF) Notes, "*Terms and Conditions of the EUR Optics (TIF) Notes*".

Accrued and Unpaid Interest

EUR TIF Initial Exchange....................... On the EUR Settlement Date, Participating Holders whose EUR TIF Original Notes are accepted for exchange pursuant to the EUR TIF Exchange Offer will also be paid in cash (rounded to the nearest €0.01, with €0.005 rounded upwards) the accrued and unpaid interest, if any, on such EUR TIF Original Notes from, and including, the immediately preceding interest payment date for such EUR TIF Original Notes up to, but excluding, the EUR Settlement Date. Eligible Holders who do not exchange and Ineligible Holders will continue to be paid interest according to the terms of the EUR TIF Original Notes.

EUR TIF Mandatory Acquisition Exchange.. On the Acquisition Closing Date, Holders of the EUR TIF New Notes will also be paid in cash (rounded to the nearest €0.01, with €0.005 rounded upwards) the accrued and unpaid interest, if any, on such EUR TIF New Notes for the period from, and including, the later of (x) the

immediately preceding interest payment date in respect of the EUR TIF New Notes and (y) the EUR Settlement Date, as applicable, up to, but excluding, the Acquisition Closing Date.

Denominations

EUR TIF New Notes .... The EUR TIF New Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. TIF will not accept for exchange any offer that would result in the issuance of less than €100,000 in principal amount of EUR TIF New Notes to a Participating Holder. As a result, an Eligible Holder will be unable to participate in the EUR TIF Exchange Offer if such Holder's ownership of EUR TIF Original Notes is not at a sufficient level to meet the required minimum denomination and the Minimum Exchange Amount.

EUR Optics (TIF) Notes .... The EUR Optics (TIF) Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Eligible Holders... The EUR TIF Exchange Offer is directed, and the EUR TIF New Notes and the EUR Optics (TIF) Notes will be issued, only to those holders of the EUR TIF Original Notes who are not "U.S. persons" (as defined in Regulation S) and are outside the United States transacting in an offshore transaction in accordance with Regulation S and if they are resident in any member state of the EEA or the United Kingdom, who are not "retail investors" in the EEA or the United Kingdom and are not persons to whom it is unlawful to make the EUR TIF Exchange Offer or a Sanctions Restricted Person.

Participating Holder .... Means an Eligible Holder that has validly submitted (and not validly withdrawn) an Instruction on or prior to the EUR Expiration Time in order to participate in the EUR TIF Exchange Offer.

Instruction .... In order to offer EUR TIF Original Notes for exchange in the EUR TIF Exchange Offer, an Eligible Holder must deliver the electronic blocking instruction to the relevant Clearing System and specifying, *inter alia*, the aggregate principal amount of EUR TIF Original Notes that such Holder wishes to offer for exchange, in accordance with the requirements and procedures of the relevant Clearing System.

Instructions will be irrevocable, except in the limited circumstances described under "*Terms of the EUR TIF Exchange Offer – Holders' Rights of Revocation*" herein.

Procedures for Participating in the EUR TIF Exchange Offer........................ In order to participate in the EUR TIF Exchange Offer, each Eligible Holder must deliver, or arrange to have delivered on its behalf, Instructions through the Clearing Systems in accordance with the procedures of, and within the time limit specified by, the Clearing Systems for receipt by the Exchange and Information Agent prior to the EUR Expiration Time. TIF will only accept an offer of EUR TIF Original Notes for exchange by way of the submission of a valid Instruction in accordance with the procedures set out in the section headed "*Procedures for Participating in the EUR TIF Exchange Offer*".

Holders are advised to check with any bank, securities broker or other intermediary through which they hold EUR TIF Original Notes when

such intermediary would require to receive instructions to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the EUR TIF Exchange Offer in order to meet the deadlines specified in this Exchange Offer Memorandum. ***The deadlines set by any such intermediary and each Clearing System for the submission and withdrawal of Instructions will be earlier than the relevant deadlines specified in this Exchange Offer Memorandum***.

Revocation Instruction .... An electronic revocation instruction to revoke an Instruction or delivered in accordance with the provisions set out in "*Terms of the EUR TIF Exchange Offer – Holders' Rights of Revocation*".

Revocation Rights .... If TIF amends any of the terms of the EUR TIF Exchange Offer in any way that, in the opinion of TIF (in consultation with the Dealer Managers) is materially prejudicial to Eligible Holders that have already submitted Instructions before the announcement of such amendment (which announcement shall include a statement whether in the opinion of TIF such amendment is materially prejudicial to such Eligible Holders), then all Instructions may be revoked at any time from the date and time of such announcement until 10:00 a.m. (CET) on the second day, other than a Saturday or Sunday or a public holiday on which commercial banks and foreign exchange markets are open for business in Luxembourg, following such announcement (subject to the earlier deadlines required by the Clearing Systems and any intermediary through which such Eligible Holders hold their relevant EUR TIF Original Notes).

For the avoidance of doubt, (i) any decision to increase, decrease or waive the EUR Minimum Series Exchange Condition with respect to the EUR TIF Original Notes and/or the Total Cap or (ii) any waiver of any General Condition shall not be considered to be materially prejudicial to Eligible Holders that have already submitted Instructions before the announcement of such amendment.

Any decision by TIF to extend the EUR Expiration Time or re-open the EUR TIF Exchange Offer in accordance with "*Termination, Withdrawal and Amendment of the EUR TIF Exchange Offer*" herein shall not be considered to be materially prejudicial to Eligible Holders that have already submitted Instructions before the announcement of such extension or re-opening and will not result in Eligible Holders receiving the right of revocation.

Consequences of Failure to Exchange..... For a description of the consequences of failing to exchange your EUR TIF Original Notes pursuant to the EUR TIF Exchange Offer, see *"Consequences of Failure to Participate in the EUR TIF Exchange Offer"*

Termination, Withdrawal and Amendment of the Exchange Offer........ TIF, subject to applicable laws, at its option and in its sole discretion, at any time may: a) extend the EUR Expiration Time or re-open the EUR TIF Exchange Offer, as applicable (in which case all references in this Exchange Offer Memorandum to "*Expiration Time*" shall, unless the context otherwise requires, be to the latest time and date to which the EUR Expiration Time has been so extended or the EUR TIF Exchange

	Offer reopened); b) otherwise amend the EUR TIF Exchange Offer in any respect; or c) terminate the EUR TIF Exchange Offer.
Use of Proceeds..	The Issuer does not expect to receive any cash proceeds in the EUR TIF Exchange Offer. See "*Use of Proceeds*".
Dealer Managers.......................................	The Issuer has retained Banco Santander, S.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, J.P. Morgan SE, MUFG Securities (Europe) N.V., Société Générale and UniCredit Bank GmbH to act as dealer managers (the "**Dealer Managers**") in connection with the EUR TIF Exchange Offers.
Exchange and Information Agent...........	Kroll Issuer Services Limited (the "**Exchange and Information Agent**") has been appointed as exchange and information agent in connection with the EUR TIF Exchange Offers.
Risk Factors...	See "*Risk Factors*" and the other information included elsewhere in this Exchange Offer Memorandum for a discussion of factors you should carefully consider before deciding to participate in the EUR TIF Exchange Offer.
Taxation	For a discussion of certain material tax consequences of the EUR TIM Exchange Offers, see "Certain Tax Considerations".

CERTAIN DEFINED TERMS

For explanations or definitions of certain technical terms relating to the TIM Group's and NetCo's businesses as used herein, please see "*Appendix C (Glossary)*" included elsewhere in this Exchange Offer Memorandum.

Capitalized terms which are used but not defined in any particular section of this Exchange Offer Memorandum will have the meaning attributed to them in the sections entitled "*Terms and Conditions of the EUR TIF New Notes*" and "*Conditions of the EUR Optics (TIF) Notes*" or any other section of this Exchange Offer Memorandum.

Unless otherwise specified or the context requires otherwise, in this Exchange Offer Memorandum:

"**Acquisition**"..	means the acquisition by Optics of the entire stake of TIM in NetCo following the contribution of the NetCo Business to FiberCop;
"**Acquisition Closing Date**".......................	means the date on which the Acquisition is consummated which will coincide with the date of the Acquisition Exchange;
"**Acquisition Exchange**"............................	means, collectively, the USD Acquisition Exchange and the EUR Acquisition Exchange;
"**Agreed Form SHA**".................................	The agreed form shareholders' agreement relating to the NetCo group of companies to be entered into on the Acquisition Closing Date by the shareholders of Optics HoldCo;
"**Applicable Euro/USD Exchange Rate**"	means the Euro/USD exchange rate prevailing at the Early Participation Deadline (as defined in the USD Exchange Offer Memorandum), as reported on the display page on the Bloomberg service designated as the "BFIX" page (or, if such screen is unavailable or is manifestly erroneous, a generally recognized source for currency quotations with quotes as of a time as close as reasonably possible to the aforementioned time as determined by TICAP in consultation with the Dealer Managers);
"**Clearing Systems**"	Euroclear Bank SA/NV and Clearstream Banking S.A;
"**Conditions**"	means the Conditions of the EUR Original Notes, the Conditions of the EUR New Notes or the Conditions of the EUR Optics Notes, as the case may be;
"**Conditions of the EUR New Notes**"	Means, collectively, the terms and conditions for each series of EUR New Notes set out in Appendix A to this Exchange Offer Memorandum and to the EUR TIF Exchange Offer Memorandum;
"**Conditions of the EUR Original Notes**"	Means, collectively, the terms and conditions for each series of EUR Original Notes set out in the relevant EUR TIM Original Notes Trust Deed and EUR TIF Original Notes Agency Agreement;
"**Conditions of the EUR Optics Notes**"	means the terms and conditions for each series of EUR Optics Notes set out in Appendix B to this Exchange Offer Memorandum or to the EUR TIF Exchange Offer Memorandum, as the case may be;
"**Dealer Managers**"...................................	means, collectively, Banco Santander, S.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, J.P. Morgan SE, MUFG Securities (Europe) N.V., Société Générale and UniCredit Bank GmbH;

"**Direct Participants**"	means each person who is shown in the records of the Clearing Systems as a holder of the EUR TIF Original Notes at the time of submission of the relevant Instruction;
"**EBLco**"	means Optics EBLco S.r.l., which is a KKR vehicle;
"**EUR Acquisition Exchange**"	means the EUR TIF Mandatory Acquisition Exchange and EUR TIM Mandatory Acquisition Exchange;
"**EUR TIF Mandatory Acquisition Exchange**"	has the meaning given to such term in "*Terms of the EUR TIF Exchange Offer*";
"**EUR TIM Mandatory Acquisition Exchange**"	has the meaning given to such term in "*Terms of the EUR TIM Exchange Offers*" in the EUR TIM Exchange Offer Memorandum;
"**EUR Exchange Offers**"	refers to the EUR TIM Exchange Offers and the EUR TIF Exchange Offer;
"**EUR Initial Exchange**"	means the EUR TIM Initial Exchange and the EUR TIF Initial Exchange;
"**EUR New February 2028 Notes**"	means 6.875 % Notes due February 15, 2028 expected to be issued by TIM at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR New January 2026 Notes**"	means 2.875 % Notes due January 28, 2026 expected to be issued at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR New January 2029 Notes**"	means 1.625 % Notes due January 18, 2029 expected to be issued by TIM at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR New July 2028 Notes**"	means 7.875 % Notes due July 31, 2028 expected to be issued by TIM at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR New March 2055 Notes**"	means 5.25 % Notes due March 17, 2055 expected to be issued by TIM at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR New May 2026 Notes**"	means 3.625 % Notes due May 25, 2026 expected to be issued by TIM at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR New Notes**"	means the EUR TIM New Notes and the EUR TIF New Notes;
"**EUR New October 2027 Notes**"	means 2.375 % Notes due October 12, 2027 expected to be issued by TIM at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR Optics February 2028 Notes**"	means 6.875 % Notes due February 15, 2028 expected to be issued by Optics at the Acquisition Closing Date pursuant to the EUR TIM Exchange Offers assuming the corresponding series of EUR New Notes are issued at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;

"**EUR Optics January 2026 Notes**"	means 2.875 % Notes due January 28, 2026 expected to be issued by Optics at the Acquisition Closing Date pursuant to the EUR TIM Exchange Offers assuming the corresponding series of EUR New Notes are issued at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR Optics January 2029 Notes**"	means 1.625 % Notes due January 31, 2029 expected to be issued by Optics at the Acquisition Closing Date pursuant to the EUR TIM Exchange Offers assuming the corresponding series of EUR New Notes are issued at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR Optics January 2033 Notes**"	means 7.750 % Notes due January 24, 2033 expected to be issued by Optics at the Acquisition Closing Date pursuant to the EUR TIF Exchange Offer assuming the corresponding series of EUR TIF New Notes are issued at the EUR TIF Initial Exchange pursuant to the EUR TIF Exchange Offer;
"**EUR Optics July 2028 Notes**"	means 7.875 % Notes due July 31, 2028 expected to be issued by Optics at the Acquisition Closing Date pursuant to the EUR TIM Exchange Offers assuming the corresponding series of EUR New Notes are issued at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR Optics March 2055 Notes**"	means 5.25 % Notes due March 17, 2055 expected to be issued by Optics at the Acquisition Closing Date pursuant to the EUR TIM Exchange Offers assuming the corresponding series of EUR New Notes are issued at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR Optics May 2026 Notes**"	means 3.625 % Notes due May 25, 2026 expected to be issued by Optics at the Acquisition Closing Date pursuant to the EUR TIM Exchange Offers assuming the corresponding series of EUR New Notes are issued at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR Optics Notes**"	means, collectively, the EUR Optics (TIM) Notes and the EUR Optics (TIF) Notes;
"**EUR Optics (TIF) Notes**"	means the EUR Optics January 2033 Notes;
"**EUR Optics (TIM) Notes**"	means the (i) EUR Optics January 2026 Notes, (ii) EUR Optics May 2026 Notes, (iii) EUR Optics October 2027 Notes, (iv) EUR Optics February 2028 Notes, (v) EUR Optics July 2028 Notes, (vi) EUR Optics January 2029 Notes, and (vii) EUR Optics March 2055 Notes, expected to be issued by Optics at the Acquisition Closing Date pursuant to the EUR TIM Exchange Offers assuming the corresponding Series of EUR TIM New Notes are issued at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;
"**EUR Optics October 2027 Notes**"	means 2.375 % Notes due October 12, 2027 expected to be issued by Optics at the Acquisition Closing Date pursuant to the EUR TIM Exchange Offers assuming the corresponding series of EUR New Notes are issued at the EUR TIM Initial Exchange pursuant to the EUR TIM Exchange Offers;

"**EUR Optics Notes Agency Agreement**" .	refers to the agency agreement dated as of the Optics Notes Issue Date by and among Optics, as issuer, the Optics Notes Trustee, the Optics Notes Transfer Agent and Registrar and the Optics Notes Paying Agent, as amended and/or supplemented from time to time with respect to the EUR Optics Notes;
"**EUR Optics Notes Trust Deed**"...............	refers to the trust deed dated as of the Optics Notes Issue Date by and among Optics, as issuer and the Optics Notes Trustee, as amended and/or supplemented from time to time with respect to the EUR Optics Notes;
"**EUR Original February 2028 Notes**"	means €1,250,000,000 6.875 % Notes due February 15, 2028 issued by TIM on January 27, 2023;
"**EUR Original February 2028 Notes Trust Deed**"..	means the trust deed dated as of January 27, 2023 by and among TIM, as issuer, and the relevant EUR TIM Original Notes Trustee, as amended and/or supplemented from time to time;
"**EUR Original January 2026 Notes**"	means €750,000,000 2.875 % Notes due January 28, 2026 issued by TIM on June 28, 2018;
"**EUR Original January 2026 Notes Trust Deed**"..	means the trust deed dated as of June 8, 2018 by and among TIM, as issuer and the relevant EUR TIM Original Notes Trustee, as amended and/or supplemented from time to time;
"**EUR Original January 2029 Notes**"	means €1,000,000,000 1.625 % Notes due January 18, 2029 issued by TIM on January 18, 2021;
"**EUR Original January 2029 Notes Trust Deed**"..	means the trust deed dated as of June 18, 2020 by and among TIM, as issuer and the relevant EUR TIM Original Notes Trustee, as amended and/or supplemented from time to time;
"**EUR Original July 2028 Notes**"	means €1,500,000,000 7.875 % Notes due July 31, 2028 issued by TIM on July 20, 2023;
"**EUR Original July 2028 Notes Trust Deed**"	means the trust deed dated as of July 20, 2023 by and among TIM, as issuer and the relevant EUR TIM Original Notes Trustee, as amended and/or supplemented from time to time;
"**EUR Original March 2055 Notes**"	means €850,000,000 5.25 % Notes due March 17, 2055 issued by TIM on March 17, 2005;
"**EUR Original March 2055 Notes Trust Deed**"...	means the trust deed dated as of January 23, 2004 by and among TIM, as issuer and the relevant EUR TIM Original Notes Trustee, as amended and/or supplemented from time to time;
"**EUR Original May 2026 Notes**"..............	means €1,000,000,000 3.635 % Notes due May 25, 2026 issued by TIM on May 25, 2016;
"**EUR Original May 2026 Notes Trust Deed**"...	means the trust deed dated as of June 30, 2015 by and among TIM, as issuer and the relevant EUR TIM Original Notes Trustee, as amended and/or supplemented from time to time;
"**EUR Original Notes**"................................	means, collectively, the EUR TIM Original Notes and the EUR TIF Original Notes;

“**EUR Original October 2027 Notes**”........	means €1,250,000,000 2.375 % Notes due October 12, 2027 issued by TIM on October 12, 2017;
“**EUR Original October 2027 Notes Trust Deed**”..	means the trust deed dated as of July 13, 2017 by and among TIM, as issuer and the relevant EUR TIM Original Notes Trustee, as amended and/or supplemented from time to time;
“**EUR Settlement Date**”	means the settlement date for the EUR TIM Initial Exchange;
“**EUR TIF Exchange Offer**”	means the EUR TIF Initial Exchange of the EUR TIF New Notes, with the EUR TIF Mandatory Acquisition Exchange included within the terms of the EUR TIF New Notes;
“**EUR TIF Initial Exchange**”	has the meaning given to such term in “*Terms of the EUR TIF Exchange Offer*”;
“**EUR TIF New Notes**”	means 7.750 % Guaranteed Notes due January 24, 2033 expected to be issued at the EUR TIF Initial Exchange pursuant to the EUR TIF Exchange Offer by TIF and guaranteed by TIM;
“**EUR TIF New Notes Agency Agreement**”	refers to the agency agreement dated as of the date of the EUR TIF Initial Exchange by and among TIF, as issuer and the New Notes Agent, as amended and/or supplemented, with respect to the EUR TIF New Notes;
“**EUR TIF New Notes Deed of Covenant**”	refers to the deed of covenant dated as of the date of the EUR TIF Initial Exchange by TIF as issuer in respect of the EUR TIF New Notes;
“**EUR TIF New Notes Deed of Guarantee**”...	refers to the deed of guarantee dated as of the date of the EUR TIF Initial Exchange by TIM as guarantor in respect of the EUR TIF New Notes;
“**EUR TIF Original Notes**”........................	means €1,050,000,000 7.750 % Guaranteed Notes due January 24, 2033 issued by TIF, originally Olivetti Finance N.V., and guaranteed by TIM, originally Olivetti S.p.A.;
“**EUR TIF Original Notes Agency Agreement**”..	refers to the agency agreement dated as of May 14, 2002 by and among TIF, originally Olivetti Finance N.V., as issuer, TIM, originally Olivetti S.p.A., as guarantor and the EUR TIF Original Notes Agent;
“**EUR TIF Original Notes Agent**”.............	means The Bank of New York Mellon;
“**EUR TIF Original Notes Deed of Guarantee**”...	refers to the deed of guarantee dated as of May 14, 2002 by TIM, originally Olivetti S.p.A., as guarantor in respect of the EUR TIF Original Notes;
“**EUR TIM Exchange Offers**”	means the EUR TIM Initial Exchange of the EUR TIM New Notes, with the EUR TIM Mandatory Acquisition Exchange included within the terms of the EUR TIM New Notes;
“**EUR TIM Initial Exchange**”	has the meaning given to such term in “*Terms of the EUR TIM Exchange Offers*” in the EUR TIM Exchange Offer Memorandum;
“**EUR TIM New Notes**”	means the (i) EUR New January 2026 Notes, (ii) EUR New May 2026 Notes, (iii) EUR New October 2027 Notes, (iv) EUR New February

	2028 Notes, (v) EUR New July 2028 Notes, (vi) EUR New January 2029 Notes and (vii) EUR New March 2055 Notes;
"**EUR TIM New Notes Agency Agreement**"	refers to the agency agreement dated as of the date of the EUR TIM Initial Exchange by and among TIM, as issuer and the New Notes Agent, as amended and/or supplemented from time to time, with respect to the EUR TIM New Notes;
"**EUR TIM New Notes Trust Deed**"	refers to the trust deed dated as of the date of the EUR TIM Initial Exchange by and among TIM, as issuer and the New Notes Trustee, as amended and/or supplemented from time to time, with respect to the EUR TIM New Notes;
"**EUR TIM Original Notes**"......................	means, collectively, the (i) EUR Original January 2026 Notes, (ii) the EUR Original May 2026 Notes, (iii) the EUR Original October 2027 Notes, (iv) the EUR Original February 2028 Notes, (v) the EUR Original July 2028 Notes, (vi) the EUR Original January 2029 Notes and (vii) the EUR Original March 2055 Notes, each issued by TIM (and each a "**Series of EUR TIM Original Notes**");
"**EUR TIM Original Notes Trust Deeds**".	refers to (i) the EUR Original January 2026 Notes Trust Deed; (ii) the EUR Original May 2026 Notes Trust Deed; (iii) the EUR Original October 2027 Notes Trust Deed; (iv) the EUR Original February 2028 Notes Trust Deed, (v) the EUR Original July 2028 Notes Trust Deed, (vi) the EUR Original January 2029 Notes Trust Deed; and (vii) the EUR Original March 2055 Notes Trust Deed;
"**EUR TIM Original Notes Trustee**".........	means Deutsche Trustee Company Limited, Glas Trustees Limited, or The Bank of New York Mellon, as applicable;
"**Exchange and Information Agent**".........	refers to Kroll Issuer Services Limited;
"**Exchange Offers**".....................................	means, collectively, the USD Exchange Offers and the EUR Exchange Offers*;*
"**EUR Expiration Time**"	has the meaning given to such term in "*Important Dates*";
"**Fastweb**"	means Fastweb S.p.A.;
"**FiberCop**"...	means FiberCop S.p.A.;
"**Global Certificates**"	means the form in which the Optics Notes are issued;
"**Global Notes**"...	means the form in which the New Notes are issued;
"***Imposta Sostitutiva***" or "**Italian Substitute Tax**"............................	means the Italian *Imposta Sostitutiva* (at the then applicable rate of tax) pursuant to Decree No. 239, or any related implementing regulations, or successors thereto;
"**Ineligible Holders**"	means Noteholders who are not Eligible Holders;
"**Initial Exchange**".....................................	means, collectively, the USD Initial Exchange and the EUR Initial Exchange;
"**Instruction**"	means the electronic blocking instruction delivered by an Eligible Holder to the relevant Clearing System specifying, *inter alia*, the

	aggregate principal amount of EUR TIF Original Notes that such Holder wishes to offer for exchange, in accordance with the requirements and procedures of the relevant Clearing System;
"**Intercreditor Agreement**"........................	means the intercreditor agreement entered on December 19, 2023 by and between, among others, Optics and UniCredit S.p.A., as the facility agent, certain creditors thereunder and the Optics Notes Security Agent, as amended, supplemented and restated from time to time;
"**Issuer**" or "**TIF**"	means Telecom Italia Finance, a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg, having its registered office in 12 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés*) under number B76448;
"**Italian Civil Code**"...................................	means the Italian Civil Code ("*codice civile*"), enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended and/or supplemented;
"**Italian Golden Power Authority**"............	means the Presidency of the Italian Council of Ministries (*Presidenza del Consiglio dei Ministri*);
"**Italian Golden Power Legislation**"..........	means Italian Law Decree No. 21 of March 15, 2012, as converted into law by Italian Law No. 56 of May 11, 2012, further amended by, among others, Italian Law Decree No. 105 of September 21, 2019, Law Decree No. 23 of April 8, 2020 and Law Decree No. 21 of March 21, 2022, and implemented through specific decrees, including Italian Presidential Decrees No. 35 of February 19, 2014 and No. 86 of March 25, 2014, and Italian Prime Minister Decrees No. 108 of June 6, 2014, No. 179 of December 18, 2020, No. 180 of December 23, 2020 and No. 133 of August 1, 2022;
"**KKR**"...	means Kohlberg Kravis Roberts & Co. L.P.;
"**KKR Funds**"	means the investment funds, vehicles and/or accounts advised and/or managed by KKR or its affiliates;
"**Longstop Date**"	means October 15, 2024 or any further date agreed prior to the then current longstop date between TIM and Optics pursuant to the Transaction Agreement and announced promptly thereafter;
"**NetCo**"	means FiberCop following the contribution of the NetCo Business to FiberCop;
"**NetCo Business**".......................................	means certain personnel, assets, rights, liabilities and agreements relating to the network assets and laying infrastructure currently held by TIM which, at closing of the Acquisition, will be contributed as a going concern (*ramo d'azienda*) to FiberCop;
"**NetCo Guarantee**"	means the guarantee to be provided, subject to the operation of certain agreed security principles, certain material limitations pursuant to applicable laws, by NetCo to the Optics Notes within 60 days after

the Acquisition Closing Date if the Push-Down Merger has not occurred;

"**New Notes**" .... means, collectively, the EUR New Notes and the USD New Notes;

"**New Notes Agent**" .... means The Bank of New York Mellon, London Branch;

"**New Notes Trustee**" .... means, in respect of the EUR TIM New Notes and USD New Notes, BNY Mellon Corporate Trustee Services Limited;

"**Noteholder**" or "**Holder**" .... means the holder of the Original Notes, New Notes or Optics Notes, as the case may be;

"**Notes**" .... means, collectively, the New Notes and the Optics Notes;

"**Optics**" .... means Optics Bidco S.p.A.;

"**Optics Financing Arrangements**" .... means, collectively, the Senior Bridge Facility Agreement and the Senior Facilities Agreement;

"**Optics Group**" .... means Optics and its subsidiaries;

"**Optics HoldCo**" .... Optics Holdco S.r.l.;

"**Optics Notes**" .... means, collectively, the EUR Optics Notes and the USD Optics Notes;

"**Optics Notes Collateral**" .... means the Optics Notes Issue Date Collateral (including any Optics Notes Replacement Collateral, if any) and the Optics Notes Post-Issue Collateral and any and all assets from time to time in which a security interest has been or will be granted pursuant to any Security Document to secure the obligations under the USD Optics Notes Indenture, EUR Optics Notes Trust Deed and the Optics Notes, in each case as may be in existence from time to time, as the context may require;

"**Optics Notes Issue Date**" .... means the date on which the Optics Notes are issued, which is expected to be the Acquisition Closing Date;

"**Optics Notes Issue Date Collateral**"........ has the meaning given to such term in the "*Summary of the EUR Optics (TIF) Notes*";

"**Optics Notes Post-Issue Date Collateral**" .... has the meaning given to such term in the "*Summary of the EUR Optics (TIF) Notes*";

"**Optics Notes Replacement Collateral**" refers to the security that Optics HoldCo will enter into within 20 Business Days following the Push-Down Merger in the event that the Push-Down Merger cannot be effected with, and to replace, the security interests over the shares in NetCo held by Optics and/or intercompany loans made available by Optics HoldCo;

"**Optics Notes Security Agent**" .... means UniCredit S.p.A. in its capacity as security agent for the secured creditors under the USD Optics Notes Indenture, the EUR Optics Notes Trust Deed, the Intercreditor Agreement and the Senior Facilities Agreement, the Senior Bridge Facility Agreement and as representative (*rappresentante*) of the holders of the Optics Notes

pursuant to and for the purposes set forth under Article 2414-bis, Paragraph 3, of the Italian Civil Code;

"**Optics Notes Paying Agent**" .... means Citibank, N.A., London Branch for the EUR Optics Notes and the USD Optics Notes;

"**Optics Notes Transfer Agent and Registrar**" .... means Citibank Europe plc for the EUR Optics Notes and Citibank, N.A., London Branch for the USD Optics Notes;

"**Optics Notes Trustee**" .... means Citibank, N.A., London Branch for the EUR Optics Notes and the USD Optics Notes;

"**Original Notes**" .... means, collectively, the EUR Original Notes and USD Original Notes;

"**Participating Holders"** .... means an Eligible Holder that has validly submitted (and not validly withdrawn) an Instruction on or prior to the EUR Expiration Time in order to participate in the EUR TIF Initial Exchange;

"**Push-Down Merger**" .... means the merger between Optics and NetCo on the Push-Down Merger Date, with NetCo being the surviving entity.

"**Push-Down Merger Date**" .... means the date on which the Push-Down Merger becomes effective;

"**Revocation Instructions**" .... means an electronic revocation instruction to revoke an Instruction or delivered in accordance with the provisions set out in "*Terms of the EUR TIF Exchange Offer – Holders' Rights of Revocation*;"

"**Sanctioned Territory**" .... any jurisdiction or other territory that is, or was at the relevant time, subject to a comprehensive export, import, financial or investment embargo under any Sanctions, including Cuba, Iran, North Korea, Syria, the Crimea, Zaporizhzhia and Kherson regions of Ukraine, the so-called People's Republic of Donetsk, the so-called People's Republic of Luhansk or any other country or territory that is similarly the target of country-wide or territory-wide Sanctions.

"**Sanctions**" .... any economic or financial restrictive measures administered or enforced by any Sanctions Authority.

"**Sanctions Authority**" .... the United Nations Security Council or the respective governmental institutions and agencies of the United States, the United Kingdom, the European Union or a member state of the European Union or Switzerland including, without limitation, the Office of Foreign Assets Control of the United States Department of the Treasury, the United States Department of State, the United States Department of Commerce and the Office of Financial Sanctions Implementation of His Majesty's Treasury or any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions.

"**Sanctions Restricted Person**" .... means an individual or entity:

(a) that is designated on the lists of Specially Designated Nationals and Blocked Persons or Foreign Sanctions Evaders or any other sanctions list maintained by OFAC, the U.S. Department of

Commerce, the U.S. Department of State and any other agency of the U.S. government;

(b) that is designated on the Consolidated List of Persons, Groups and Entities Subject to EU Financial Sanctions maintained by the European Commission, any equivalent list maintained by the competent sanctions authority of any EU Member State;

(c) that is designated on the Consolidated List of Financial Sanctions Targets maintained by the Office of Financial Sanctions Implementation, His Majesty's Treasury of the United Kingdom;

(d) that is, or is part of, a government of a Sanctioned Territory;

(e) that is located, organized or residing in any Sanctioned Territory;

(f) that is otherwise a target of any Sanctions;

(g) that is, in the aggregate, 50% or greater owned, directly or indirectly, or otherwise controlled by a person or persons described in (a) – (f), above;

(h) that is acting on behalf of any of the persons listed in (a) – (g) above for the purposes of evading or avoiding or having the intended effect of or intending to evade or avoid, or facilitating the evasion or avoidance of any Sanctions; or

(i) whose participation in the EUR TIF Exchange Offer would otherwise result in a violation of Sanctions by any person (including any person participating in the EUR TIF Exchange Offer whether as a dealer manager, adviser, investor or otherwise);

"**Security Documents**"................................ means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the USD Optics Notes Indenture and EUR Optics Notes Trust Deed or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Optics Notes Collateral as contemplated by the USD Optics Notes Indenture and EUR Optics Notes Trust Deed;

"**Senior Bridge Facility Agreement**"......... means the senior bridge facility agreement dated December 19, 2023 (as amended and restated on April 8, 2024) and made between, inter alios, Optics, each Lender thereunder and as defined in the Senior Bridge Facility Agreement and the Optics Notes Senior Facility Agent;

"**Senior Facilities Agreement**"................... means the senior facilities agreement dated December 19, 2023 (as amended and restated on April 8, 2024) and made between, inter alios, Optics, each Lender thereunder and as defined in the Senior Facilities Agreement and the Optics Notes Senior Facility Agent;

"**Stock Exchange**"....................................... means the Luxembourg Stock Exchange;

"**Telenergia**".. means Telenergia S.r.l.;

"**TICAP**"	means Telecom Italia Capital, a public limited company, (*societe' anonyme*) organised under the laws of the Grand Duchy of Luxembourg;
"**TIM Group**"...	means TIM and its consolidated subsidiaries, which until the Acquisition Closing Date will continue to include FiberCop;
"**Transactions**"..	refers to the Acquisition, the EUR Initial Exchange, the USD Initial Exchange, the EUR Acquisition Exchange, the USD Acquisition Exchange, the entry into the Master Services Agreement (as defined herein), the entry into the Transitional Services Agreement (as defined herein), and any ancillary transactions, transfers, agreements or undertakings necessary, whether by contract or operation of law, to effect these transactions;
"**Transaction Agreement**"..........................	means the share purchase agreement dated November 6, 2023, among *inter alios*, TIM as seller and Optics as purchaser in respect of the sale of TIM's entire stake in NetCo, after the contribution of the NetCo Business to FiberCop (as amended from time to time);
"**US-Dollar Equivalent**"	means, by reference to an amount in Euros, the United States dollars equivalent of such amount, determined by multiplying such amount by the Applicable Euro/USD Exchange Rate;
"**USD Acquisition Exchange**"	means the exchange of the USD New Notes for an equal aggregate principal amount of USD Optics Notes on the Acquisition Closing Date, as further detailed in the USD Exchange Offer Memorandum;
"**USD Exchange Offers**"	means the invitation by TICAP to holders of the USD Original Notes to tender their USD Original Notes for exchange for an equal aggregate principal amount of USD New Notes by TICAP including the terms of the USD Acquisition Exchange;
"**USD Initial Exchange**"	means invitation by TICAP to holders of the USD Original Notes to tender their USD Original Notes for exchange for an equal aggregate principal amount of USD New Notes by TICAP;
"**USD New 2033 Notes**"..............................	means 6.375% Guaranteed Senior Notes due November 15, 2033 expected to be issued by TICAP at the USD Initial Exchange pursuant to the USD Exchange Offers;
"**USD New 2034 Notes**"	means 6.000% Guaranteed Senior Notes due September 30, 2034 expected to be issued by TICAP at the USD Initial Exchange pursuant to the USD Exchange Offers;
"**USD New 2036 Notes**"..............................	means 7.200% Guaranteed Senior Notes due July 18, 2036 expected to be issued by TICAP at the USD Initial Exchange pursuant to the USD Exchange Offers;
"**USD New 2038 Notes**"..............................	means 7.721% Guaranteed Senior Notes due June 4, 2038 expected to be issued by TICAP at the USD Initial Exchange pursuant to the USD Exchange Offers;
"**USD New Notes**"......................................	means USD New 2033 Notes, USD New 2034 Notes, USD New 2036 Notes and USD New 2038 Notes expected to be issued at the Initial Exchange pursuant to the Exchange Offers;

“**USD Optics 2033 Notes**” .... means 6.375 % Senior Secured Notes due November 15, 2033 expected to be issued by Optics on the Acquisition Closing Date pursuant to the USD Exchange Offers assuming the corresponding series of USD New Notes are issued on the USD Initial Exchange pursuant to the Exchange Offers;

“**USD Optics 2034 Notes**” .... means 6.000 % Senior Secured Notes due September 30, 2034 expected to be issued by Optics on the Acquisition Closing Date pursuant to the USD Exchange Offers assuming the corresponding series of USD New Notes are issued on the USD Initial Exchange pursuant to the Exchange Offers;

“**USD Optics 2036 Notes**” .... means 7.200 % Senior Secured Notes due July 18, 2036 expected to be issued by Optics on the Acquisition Closing Date pursuant to the USD Exchange Offers assuming the corresponding series of USD New Notes are issued on the USD Initial Exchange pursuant to the Exchange Offers;

“**USD Optics 2038 Notes**” .... means 7.721 % Senior Secured Notes due June 4, 2038 expected to be issued by Optics on the Acquisition Closing Date pursuant to the USD Exchange Offers assuming the corresponding series of USD New Notes are issued on the USD Initial Exchange pursuant to the Exchange Offers;

“**USD Optics Notes**” .... means, collectively, the USD Optics 2033 Notes, the USD Optics 2034 Notes, the USD Optics 2036 Notes and the USD Optics 2038 Notes expected to be issued at the Acquisition Closing Date pursuant to the USD Exchange Offers assuming the corresponding series of USD New Notes are issued on the USD Initial Exchange pursuant to the Exchange Offers;

“**USD Optics Notes Indenture**” .... refers to the indenture dated as of the date of the USD Acquisition Exchange among, *inter alios*, Optics, as issuer, the Optics Notes Trustee and the Optics Notes Security Agent, as amended and/or supplemented from time to time;

“**USD Original 2033 Notes**” .... means $1,000,000,000 6.375% Guaranteed Senior Notes due November 15, 2033 issued by TICAP on October 29, 2003;

“**USD Original 2034 Notes**” .... means $1,000,000,000 6.000% Guaranteed Senior Notes due September 30, 2034 issued by TICAP on October 6, 2004;

“**USD Original 2036 Notes**” .... means $1,000,000,000 7.200% Guaranteed Senior Notes due July 18, 2036 issued by TICAP on July 18, 2006;

“**USD Original 2038 Notes**” .... means $1,000,000,000 7.721% Guaranteed Senior Notes due June 4, 2038 issued by TICAP on June 4, 2008;

“**USD Original Notes**” .... means, collectively, the USD Original 2033 Notes, USD Original 2034 Notes, USD Original 2036 Notes and USD Original 2038 Notes (and each a “**Series of USD Original Notes**”);

“**Vivendi**” .... means Vivendi S.E.

IMPORTANT DATES

The times and dates below are indicative only and subject to extension. Any publication or notification will be made as soon as practicable after the relevant event hereunder.

Events	Dates and Time
	(Unless otherwise stated, all times are CET)
Commencement of the EUR TIF Exchange Offer	
The EUR TIF Exchange Offer is announced and notice of the EUR TIF Exchange Offer is submitted to the Clearing Systems and published on the website of the Luxembourg Stock Exchange.	April 18, 2024
The Exchange Offer Memorandum available from the Exchange and Information Agent to eligible recipients upon request.	
EUR Expiration Time	
Deadline for receipt by the Exchange and Information Agent of valid Instructions from Participating Holders to offer their EUR TIF Original Notes for exchange in the EUR TIF Exchange Offer and their EUR TIM Original Notes for exchange in the EUR TIM Exchange Offers.	5:00 p.m. (CET) on May 1, 2024
The EUR Expiration Time for the EUR TIF Exchange Offer and the EUR TIM Exchange Offers is expected to occur on the same day as the Early Participation Deadline of the USD Exchange Offers.	
Announcement and publication of acceptance of amount of offered EUR TIF Original Notes and EUR TIF New Notes to be issued	
Announcement of (i) the final aggregate principal amount of the EUR TIF Original Notes accepted for exchange, (ii) the Final Series Acceptance Amount for EUR TIF Original Notes, (iii) the final aggregate principal amount of EUR TIF New Notes to be issued, (iv) the aggregate principal amount of EUR TIF Original Notes not offered for exchange or not accepted by TIF and (v) the relevant Pro-Ration Factor. Announcement to be submitted to the Clearing Systems and published on the Luxembourg Stock Exchange.	As soon as reasonably practicable after the EUR Expiration Time.
Settlement of the EUR TIF Initial Exchange	
The date on which TIF will issue the EUR TIF New Notes in exchange for the EUR TIF Original Notes validly offered for exchange (and not validly withdrawn) on or prior the EUR Expiration Time. On the EUR Settlement Date, Participating Holders whose EUR TIF Original Notes are accepted for exchange in the EUR TIF Exchange Offer will receive the EUR Exchange Consideration, the Accrued Interest Amount in respect of the EUR TIF Original Notes and the Participation Premium. Following the EUR Settlement Date, the EUR TIF Mandatory Acquisition	As soon as practicable following the EUR Expiration Time and expected on May 8, 2024

Events	Dates and Time
	(Unless otherwise stated, all times are CET)
Exchange may occur at any time on or prior to the Longstop Date.	
EUR TIF Mandatory Acquisition Exchange; Longstop Date	
If the Acquisition is not or will not be consummated on or prior to the Longstop Date, the EUR TIF New Notes will remain outstanding as a separate series and will not be fungible with the EUR TIF Original Notes not validly offered or otherwise accepted by TIF as part of the EUR TIF Exchange Offer.	No later than October 15, 2024, or any further date agreed prior to the then current long stop date between TIM and Optics pursuant to the Transaction Agreement.
Settlement of the EUR TIF Mandatory Acquisition Exchange	
If the Acquisition is or will be consummated on or prior to the Longstop Date, on the Acquisition Closing Date the EUR TIF New Notes will be mandatorily exchanged into the EUR Optics (TIF) Notes without the need for further action by the relevant Noteholders. On the Acquisition Closing Date, Holders of the EUR TIF New Notes will receive, if applicable, the Accrued Interest Amount in respect of the EUR TIF New Notes.	Upon no less than five business days prior notice by TIF to the New Notes Agent, Optics and the holders of the EUR TIF New Notes. To be communicated to Holders by TIF via written notice delivered as set out in "*Announcements*".

The above times and dates are subject, where applicable, to the right of TIF to extend, re-open, amend and/or terminate the EUR TIF Exchange Offer (subject to applicable law, and as provided in this Exchange Offer Memorandum). The deadlines set by any such intermediary and each Clearing System for the submission and withdrawal of Instructions may be earlier than the relevant deadlines above. See "*Procedures for Participating in the EUR TIF Exchange Offer*".

Holders are advised to check with any broker, dealer, bank, custodian, trust company or other nominee or other intermediary through which they hold EUR TIF Original Notes to confirm whether such intermediary requires that it receive instructions for such Holder to participate in, or (in the limited circumstances in which revocation is permitted) revoke such Holder's instruction to participate in, the EUR TIF Exchange Offer before the deadlines specified above.

THE EUR TIM EXCHANGE OFFERS

The EUR TIM Exchange Offers will expire at 5:00 pm (CET) on May 1, 2024, unless extended, re-opened or terminated by TIM and as provided in the EUR TIM Exchange Offer Memorandum. The settlement date of the initial exchange for the EUR TIM Exchange Offers will coincide with the settlement date of the EUR TIF Initial Exchange.

THE USD EXCHANGE OFFERS

The expiration time for the EUR Exchange Offers is expected to occur on the same day as the Early Participation Deadline (as defined in the USD Exchange Offer Memorandum) of the USD Exchange Offers. Since TICAP is inviting the holders of the USD Original Notes to offer for exchange the US-dollar equivalent (as determined by reference to the Applicable Euro/USD Exchange Rate) of up to the Total Cap *less* the aggregate principal amount of any EUR Original Notes offered for exchange and accepted by TIM and TIF in the EUR Exchange Offers, the aggregate principal amount of USD Original Notes accepted as part of the USD Exchange Offers will depend on the aggregate principal amount of EUR Original Notes offered for exchange and accepted by TIM and TIF in the EUR Exchange Offers, which will be announced as soon as practicable after the expiration time of the EUR Exchange Offers and the Early Participation Deadline of the USD Exchange Offers. The USD Exchange Offers will expire at 5:00 p.m. (New

York time) on May 16, 2024, unless extended by TICAP (the "**USD Expiration Time**"). As soon as practicable after the USD Expiration Time, TICAP will announce the final aggregate principal amount of the USD Original Notes accepted for exchange. The settlement of the USD Initial Exchange (as defined in the USD Exchange Offer Memorandum) is expected to take place not later than the third business day following the USD Expiration Time.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this Exchange Offer Memorandum regarding the TIM Group's and the Optics Group's business financial condition, results of operations and certain of the TIM 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 TIM Group's and Optics Group's strategy and the TIM Group's and Optics Group's ability to achieve it; expectations regarding revenues, profitability and growth; plans for the launch of new services; the TIM Group's and Optics 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," "forecast," "anticipate," "believe," "future," "continue," "help," "estimate," "plan," "potential," "predict," "project," "seek" "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 includes forward-looking statements relating to the TIM Group's and Optics 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 TIM Group's management's current view with respect to future events and financial performance. These views reflect the best judgment of the TIM 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 TIM Group's management 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. These factors include, but are not limited to the following:

- requirements of the TIM Group's and/or NetCo's heavily regulated industries, changes in the regulatory environment as well failure to comply with such changes;
- the TIM Group's and/or NetCo's inability to deliver the expected regulatory and business benefits of the Transactions;
- the TIM Group's failure to successfully implement its strategic objectives and factors beyond its control which may prevent it from successfully implementing its strategy;
- complexities in relation to the separation of NetCo from the TIM Group, including unexpected uncertainties and costs;
- deterioration of the relationship with, or in the financial condition of, NetCo for the TIM Group and deterioration of the relationship with, or in the financial condition of, the TIM Group for NetCo;
- challenging market conditions for the TIM Group and NetCo resulting from competition;
- the TIM Group's customer churn or threat of customer churn;
- credit risk with respect to the TIM Group's customers;
- forward-looking nature of the assumptions and estimates used in by the TIM Group and/or NetCo in assessing target components, steps and objectives;

- the TIM Group's difficulties responding to new telecommunications technologies;
- the TIM Group's restrictions on customer access to mobile phone financing;
- the TIM Group's increasing data security restrictions;
- the TIM Group's reliance on third parties
- TIM Group's outsourcing risk;
- enhanced competition from changes in technologies and competitive offerings;
- the TIM Group's ability to successfully implement its internet, 4.5G/5G Next Generation Mobile Networks and ICT, ultrabroadband access network strategies;
- the TIM Group's and NetCo's ability to successfully upgrade their respective network;
- the TIM Group's ability to generate positive returns from capital expenditures;
- the TIM Group's and NetCo's ability to perform in case of unpredictable increase of traffic;
- risks related system and network failures;
- cybersecurity risks;
- risks related potential future strategic transactions, such as acquisitions, investments or dispositions, and the integration of such entities;
- goodwill impairment in relation to acquired businesses;
- the TIM Group's and NetCo's potential intellectual property rights litigation risks;
- complexities relating to the TIM Group's governance structure;
- the TIM Group's and NetCo's ability to successfully meet environmental, social and governance related requirements;
- the TIM Group's and NetCo's ability to close the digital divide;
- changes in the TIM Group's directorships and/or senior management;
- the TIM Group's and NetCo's ability to recruit, retain and engage skilled employees;
- the TIM Group's and NetCo's exposure to a variety of macroeconomic conditions;
- potential exchange rate fluctuations and interest rate risk;
- global economic conditions and political events;
- potential slowdowns in economic growth of Italy;
- the impact of inflations pressure and rising input and borrowing costs on Italy's employment rates;
- the impact of the COVID-19 pandemic or other unexpected and uncertain events;
- the impact of consolidation in the Brazilian telecommunication market for the TIM Group;

- the impact of the Italian Golden Power Authority exercising its significant power over the TIM Group and/or NetCo;
- changing requirements of government authorizations to carry out certain activities;
- the TIM Group's and NetCo's ability to comply with data protection laws;
- changing EU regulation of the levels of roaming charges for the TIM Group;
- actual or perceived health risks or other problems relating to mobile handsets or transmission masts for the TIM Group;
- potential fraud risks, and adequacy of our organizational policies and procedures to prevent frauds;
- risks related to the TIM Group's and NetCo's compliance with Italian Legislative Decree 231/2001;
- the TIM Group's and NetCo's risks related actual and/or potential litigations;
- the TIM Group's ability to protect its image, reputation and brand;
- the TIM Group's potential loss caused by its customers by use of Internet;
- the TIM Group's and NetCo's potential risks of labor disputes;
- the TIM Group's and NetCo's potential risks of claims and penalties in connection with health and safety of their respective employees or of third parties;
- NetCo's requirements to comply with cost-orientation obligations;
- NetCo's ability to secure sufficient liquidity and/or access to financing to fund its capital expenditures and/or generate expected returns;
- NetCo's ability to develop, maintain, repair, upgrade, protect and replace its fixed-line network;
- NetCo's ability to successfully implement its ultrabroadband fixed-line network strategy and objectives;
- deterioration in the financial conditions of NetCo's key customers for NetCo;
- NetCo's lack of history as an operating and independent company;
- complexities in relation to NetCo's ability to achieve a fully operational regime;
- NetCo's reliance on certain suppliers to provide services to its direct customers and to support its operations;
- NetCo's unexpected compliance issues and/or liabilities not known by Optics or greater than anticipated;
- uninsured losses in excess of NetCo's insurance coverage and unanticipated changes in NetCo's insurance costs;
- risks related to shareholders deadlock at Optics HoldCo;
- reliability of certain information provided by Optics;
- NetCo's inability to implement pass-through mechanisms;
- NetCo's ability to comply with anti-competition laws and regulations;

- risks related to changes in NetCo's strategy and estimates from its future controlling shareholder,
- risks related to the assumptions, estimates and reliability of the pro forma financial information contained in this Exchange Offer Memorandum;
- risks relating to the Transactions;
- risks relating to the Exchange Offers;
- risks relating to non-exchanging holders of the Original Notes; and
- risks relating to the New Notes and the Optics Notes.

Prospective investors are cautioned not to place undue reliance on these forward-looking statements. Neither the Issuer nor the TIM Group nor Optics Group undertakes any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or otherwise. Prospective purchasers are also urged carefully to review and consider the various disclosures made by the Issuer and the TIM Group in this Exchange Offer Memorandum which attempt to advise interested parties of the factors that affect the Issuer, the TIM Group and their business, including the disclosures made under "*Risk Factors,*" "*Business of the TIM Group*" and "*Business of NetCo*."

All subsequent written or oral forward-looking statements attributable to the Issuer, the TIM Group, the Optics Group or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Exchange Offer 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.

MARKET AND INDUSTRY DATA

In this Exchange Offer Memorandum, the Issuer relies on and refers to information regarding its business and the markets in which it operates and competes. The Issuer has made statements in this Exchange Offer Memorandum regarding the economy, the telecommunications industry, the TIM Group's and the Optics Group's position in the industry, their 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. For the purposes of this Exchange Offer Memorandum, certain market and industry data have been calculated without regard to additional subdivisions or segmentation of the relevant markets or industries.

Such market and industry data and certain industry forward-looking statements and forecasts are derived from various industry and other independent sources, where available, including from internal surveys, market research, governmental reports and other publicly available information and third-party consultants. In particular, certain information has been derived from certain aggregated market information available to the TIM Group.

Unless otherwise indicated, statements regarding the market environment, market developments, growth rates, market trends and the competitive situation in the markets and segments in which it operates are based on market data, statistical information, sector reports and third-party studies as well as on the TIM Group's estimates.

The TIM Group believes that information in this Exchange Offer Memorandum that has been sourced from third parties has been accurately reproduced and, as far as it is aware and able to ascertain from the information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Notwithstanding the foregoing, such third-party information has not been independently verified, and neither the TIM Group nor the Dealer Managers make any representation or warranty as to the accuracy or completeness of such information set forth in this Exchange Offer Memorandum. Market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology may be forward-looking and speculative. The TIM Group has not verified the figures, market data and other information used by third parties in the studies, publications and financial information reproduced herein, or the external sources on which the TIM Group's estimates are based. The TIM Group therefore assumes no liability for and offer no guarantee of the accuracy of the data from studies and third-party sources contained in this Exchange Offer Memorandum or for the accuracy of third-party data on which its estimates are based. This Exchange Offer Memorandum also contains estimates of market data and information derived from such data that cannot be obtained from publications by independent sources.

In addition, certain information in this Exchange Offer Memorandum for which no third-party source is given, regarding the TIM Group and NetCo's market positions relative to their competitors in the telecommunication industry, is not based on published statistical data or information obtained from independent third parties. Such information and statements particularly reflect the TIM Group's best estimates based upon information obtained from trade and business organizations and associations and other contacts within the market in which the TIM Group and/or NetCo compete, as well as information published by the TIM Group's competitors. As some of the foregoing information was compiled or provided by the TIM Group's management or advisers and is not publicly available, such information accordingly may not be considered to be as independent as that provided by other third-party sources.

The TIM Group believes that its estimates of market data and the information it has derived from such data helps investors to better understand the industry in which the TIM Group and/or NetCo operate and their positions within it. The TIM Group's estimates have not been verified externally. While the TIM Group assumes that its market observations are reliable, there can be no assurance as to the accuracy of the TIM Group's estimates and their information. They may differ from the TIM Group's competitors' estimates or other independent sources. While the TIM Group is not aware of any misstatements regarding the market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under "*Risk Factors*" in this Exchange Offer Memorandum.

ROUNDING

Certain figures and percentages included in this Exchange Offer 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. In addition, as a result of such rounding, the totals of certain financial information may differ from the information that would have appeared in such totals using the unrounded financial information.

TRADEMARKS AND TRADE NAMES

The TIM Group owns or has rights to certain trademarks or trade names that they use in conjunction with the operation of their businesses. The TIM Group asserts, to the fullest extent under applicable law, its rights to its trademarks and trade names. Each trademark, trade name or service mark of any other company appearing in this Exchange Offer Memorandum is the property of its respective holder.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Audited Financial Information

TIM Audited Consolidated Financial Statements

This Exchange Offer Memorandum contains the following financial information of the TIM Group:

- an English translation of the audited consolidated financial statements and the accompanying notes thereto of the TIM Group as of and for the year ended December 31, 2023, including comparative figures as of and for the year ended December 31, 2022 (the "**2023 TIM Audited Consolidated Financial Statements**") audited by the TIM Group's independent auditor, EY S.p.A. as set forth in the English translation of its audit report included elsewhere in this Exchange Offer Memorandum, which have been prepared in accordance with IFRS;

- an English translation of the audited consolidated financial statements and the accompanying notes thereto of the TIM Group as of and for the year ended December 31, 2022, including comparative figures as of and for the year ended December 31, 2021 (the "**2022 TIM Audited Consolidated Financial Statements**") audited by the TIM Group's independent auditor, EY S.p.A. as set forth in the English translation of audit report included elsewhere in this Exchange Offer Memorandum, which have been prepared in accordance with IFRS;

- an English translation of the audited consolidated financial statements and the accompanying notes thereto of the TIM Group as of and for the year ended December 31, 2021 (the "**2021 TIM Audited Consolidated Financial Statements**" and, together with the 2023 TIM Audited Consolidated Financial Statements and the 2022 TIM Audited Consolidated Financial Statements, the "**TIM Audited Consolidated Financial Statements**") audited by the TIM Group's independent auditor, EY S.p.A. as set forth in the English translation of audit report included elsewhere in this Exchange Offer Memorandum, which have been prepared in accordance with IFRS

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

NetCo Audited Combined Carve-out Financial Information

This Exchange Offer Memorandum contains an English translation of the audited consolidated special purpose income statements and statement of financial position and the accompanying notes thereto of NetCo (which for the avoidance of doubt, means FiberCop following the contribution of the NetCo Business to FiberCop) as of and for the year ended December 31, 2023, including comparative audited figures of the income statement for the year ended December 31, 2022 (the "**NetCo Audited Combined Carve-out Financial Information**") audited by the TIM Group's independent auditor, EY S.p.A. as set forth in the English translation of its audit report included elsewhere in this Exchange Offer Memorandum, which have been prepared using the same accounting standards applied in preparing the 2023 TIM Audited Consolidated Financial Statements. The NetCo Audited Combined Carve-out Financial Information does not include a consolidated statement of cash flows, a consolidated statement of changes in net invested capital, or a consolidated statement of comprehensive income, as TIM's management believes that this information would not provide any useful information to investors.

The NetCo Audited Combined Carve-out Financial Information has not been adjusted to reflect the impact of any changes to the income statements and statement of financial position that might occur as a result of purchase accounting adjustments to be applied as a result of the Transactions. However, Optics will account for the Acquisition using the acquisition method of accounting under IFRS and will apply purchase accounting adjustments in connection with the Acquisition to the financial statements for accounting periods subsequent to the Acquisition Closing Date. The application of purchase accounting could result in different carrying values for existing assets and liabilities and the TIM Group may add additional assets to its statement of financial position, which may include intangible assets, such as goodwill, brand name, customer relationships, leasehold rights and software. NetCo may also recognize

additional amortization and depreciation expenses related to the additional assets recognized. Due to these and other potential adjustments, NetCo's future financial statements could be materially different once the adjustments are made and may not be comparable to the financial statements included in this Exchange Offer Memorandum.

For more information, see "*Consolidated Financial Statements.*"

Pro Forma Financial Information

This Exchange Offer Memorandum contains the following pro forma financial information:

TIM Unaudited Consolidated Pro Forma Financial Information

The pro forma consolidated income statements and statement of financial position of the TIM Group as of and for the year ended December 31, 2023, are derived from the 2023 TIM Audited Consolidated Financial Statements (the "***TIM Unaudited Consolidated Pro Forma Financial Information***"). The pro forma consolidated financial information of the TIM Group gives effect to the Transactions by applying pro forma adjustments to the historical consolidated financial statements of the TIM Group to reflect the exclusion of the NetCo assets, FiberCop, Telenergia, an assumed debt transfer as part of the Exchange Offers (assuming the Initial Exchange is subscribed at the Total Cap amount), the unwinding of the relevant hedge contracts, an assumed cash-in from the Acquisition, including in connection with a payment by Optics to TIM in respect of the Exchange Offers in accordance with the Transaction Agreement, the repayment of the FiberCop Intercompany Loan and certain adjustments, including the impact of the Master Services Agreement and the Transitional Services Agreement. The TIM Unaudited Pro Forma Financial Information does not reflect the final attribution of goodwill by the TIM Group to the NetCo Business, following the application of the applicable IFRS accounting principles, such as IAS 36 (Impairment of Assets), at the Acquisition Closing Date and after the final determination of the relative values of the business disposed of and the portion of the cash generating unit retained (or other method to better reflect the goodwill associated with the operation disposed of).

The cash-in from the Acquisition does not reflect the payment by the TIM Group of any early bird premium or participation premium of, in each case, $2.50 or €2.50 per $1,000 or €1,000 principal amount (as the case may be) per Original Note accepted in connection with the Initial Exchange).

The pro forma consolidated income statement for the year December 31, 2023 was prepared to give effect to the Transactions as if they had been completed on January 1, 2023 and the pro forma consolidated statement of financial position as of December 31, 2023 was prepared to give effect to the Transactions as if they had been completed on December 31, 2023.

The notes to the TIM Unaudited Consolidated Pro Forma Financial Information include an explanation of their basis of preparation.

The TIM Unaudited Consolidated Pro Forma Financial Information presented in this Exchange Offer Memorandum is based on available information and certain current market-based assumptions that the TIM Group's management believes are reasonable. The TIM Unaudited Consolidated Pro Forma Financial Information is presented for illustrative purposes only and does not purport to represent what the actual results of operations would have been if the events for which the pro forma adjustments were made had occurred on the dates assumed, nor does it purport to project the TIM Group's results of operations for any future period or financial condition at any future date. The TIM Group's future operating results may differ materially from the pro forma amounts set out in this Exchange Offer Memorandum due to various factors, including changes in operating results.

The TIM Unaudited Consolidated Pro Forma Financial Information set forth below is presented, unless otherwise specified, in accordance with the accounting principles used in the preparation of the TIM Audited Consolidated Financial Statements, which have been prepared in accordance with IFRS. The TIM Unaudited Consolidated Pro Forma Financial Information should be read together with the TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum.

The TIM Unaudited Consolidated Pro Forma Financial Information set forth elsewhere in this Exchange Offer Memorandum has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities

Exchange Act of 1934, the Prospectus Directive, U.S. GAAP or any other generally accepted accounting standards. Neither the adjustments nor the resulting TIM Unaudited Consolidated Pro Forma Financial Information have been audited or reviewed in accordance with International Standards on Auditing (Italy).

NetCo Unaudited Combined Pro Forma Carve-out Financial Information

The pro forma combined income statements and statement of financial position of NetCo as of and for the year ended December 31, 2023 and the *pro forma* combined income statement for the year ended December 31, 2022 are derived from the NetCo Audited Combined Carve-out Financial Information (the "***NetCo Unaudited Combined Pro Forma Carve-out Financial Information***"). The *pro forma* carve-out financial information of NetCo gives effect to the Transactions by applying *pro forma* adjustments to the consolidated carve-out financial information of the NetCo to reflect certain adjustments as of and for the year ended December 31, 2023, including the impact of the Master Services Agreement, the Transitional Services Agreement and the repayment of the FiberCop Intercompany Loan with a new loan to be granted to NetCo and assuming the same interest rate as the interest rate of the FiberCop Intercompany Loan will apply to it. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect any adjustment relating to the purchase price allocation as the exercise to determine the fair value of the net assets acquired will be carried out only after Acquisition Closing Date.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect the financial and economic effects of the Exchange Offers, the financial position or results of Optics (including the debt incurred by Optics under the Senior Facilities Agreement, the Bridge Facility Agreement (if applicable) and the Acquisition Exchange (if any) or any pro forma interest expense related thereto) or the expenses at the Acquisition Closing Date and the costs that NetCo, as a standalone entity, could incur as part of the ongoing cost structure of the NetCo Business.

The pro forma combined income statement for the year December 31, 2023 was prepared to give effect to the Transactions as if they had been completed on January 1, 2023, the pro forma combined income statement for the year December 31, 2022 was prepared to give effect to the Transactions as if they had been completed on January 1, 2022, and the pro forma combined statement of financial position as of December 31, 2023 was prepared to give effect to the Transactions as if it had been completed on December 31, 2023. For more information, see "*NetCo Unaudited Combined Pro Forma Carve-out Financial Information*."

The notes to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information include an explanation of the basis of preparation.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information presented in this Exchange Offer Memorandum is based on available information and certain current market-based assumptions that the TIM Group's management believes are reasonable. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information is presented for illustrative purposes only and does not purport to represent what the actual results of operations would have been if the events for which the *pro forma* adjustments were made had occurred on the dates assumed, nor does it purport to project NetCo's results of operations for any future period or financial condition at any future date. The NetCo's future operating results may differ materially from the *pro forma* amounts set out in this Exchange Offer Memorandum due to various factors, including changes in operating results.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information set forth below is presented, unless otherwise specified, in accordance with the accounting principles used in the preparation of the NetCo Audited Carve-out Financial Information. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information should be read together with the NetCo Audited Carve-out Financial Information included elsewhere in this Exchange Offer Memorandum.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information set forth elsewhere in this Exchange Offer Memorandum has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934, the Prospectus Directive, U.S. GAAP or any other generally accepted accounting standards. Neither the adjustments nor the resulting NetCo Unaudited Combined Pro Forma Carve-out Financial Information have been audited or reviewed in accordance with International Standards on Auditing (Italy) or IFRS.

Factors Impacting Comparability

In the year ended December 31, 2023, 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 January 1, 2023. For further information on the new standards and interpretations endorsed by the EU applicable to the years ended December 31, 2023, 2022 and 2021, see Note 2 to the 2023 TIM Audited Consolidated Financial Statements and 2022 TIM Audited Consolidated Financial Statements.

Presentation of Non-IFRS Measures

In this Exchange Offer Memorandum, the TIM Group presents certain financial measures and ratios that are not recognized by IFRS or any other generally accepted accounting principles. These measures as referred to as "non-IFRS" or "alternative performance measures" ("**non-IFRS**" or "**Alternative Performance Measures**") as they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that may not be calculated in accordance with IFRS.

The TIM Group believes that these non-IFRS measures are important supplementary measures of its underlying performance and liquidity (as a whole and at a business unit level) and that they are widely used by investors comparing performance between companies. It also believes that these and similar measures are used widely by the investment community, securities analysts and other interested parties, as supplemental measures of performance and liquidity and are intended to assist investors in their analysis of the TIM Group's results of operations, profitability and ability to service its debt.

The non-IFRS measures presented in this Exchange Offer Memorandum may be used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. Investors should exercise caution in comparing such measures to similar measures used by other companies. The information presented by each non-IFRS measure is unaudited and has not been prepared in accordance with IFRS or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC; compliance with its requirements may require the TIM Group to make changes to the presentation of this information.

Further, these non-IFRS measures are not measurements of performance under IFRS and investors should not consider them an alternative to pre-tax income or operating income determined in accordance with IFRS, or, as the case may be, to cash flows from/(used in) operating activities, cash requirements used in investing activities or cash flow from/(used in) financing activities. In particular, investors should not consider EBIT and EBITDA as an alternative to: (i) operating income or income for the period (as determined in accordance with IFRS) as a measure of operating performance; (ii) cash flows provided by operating, investing and financing activities as a measure of the ability to meet cash needs; or (iii) any other measures of performance under generally accepted accounting principles. EBIT and EBITDA and other non-IFRS measures have limitations as an analytical tool, and investors should not consider them in isolation, or as a substitute for an analysis of the TIM Group's results as reported under IFRS. Additionally, these non-IFRS measures should not be considered as an alternative to operating income or operating margin as a measure of operating performance. Further, these non-IFRS measures should not be considered in isolation or construed as a substitute for measures in accordance with IFRS. Furthermore, the non-IFRS measures as used in some of the sections of this Exchange Offer Memorandum, may not be calculated in the same manner as similar measures are calculated pursuant to the relevant trust deed/indenture governing the Notes or for the purposes of any of TIM Group's other indebtedness.

Presentation of Non-IFRS Measures of the TIM Group

In this Exchange Offer Memorandum, the following Alternative Performance Measures are presented for the TIM Group on an historical basis without giving effect to the Transactions:

- ***EBIT/EBITDA***: These measures are used by the TIM Group as a financial target and 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' figures.

- ***EBITDA margin and EBIT margin***: The TIM Group believes that these margins represent useful indicator of the ability of the TIM Group (as a whole and at business unit level) to generate profits from its revenues. EBITDA margin and EBIT margin are a measure of the percentage of revenues that are converted into EBITDA and EBIT, respectively.

- ***Net Financial Debt/ Net Financial Debt carrying amount***: The TIM Group believes that Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is calculated by deducting Cash and Cash Equivalents and other Financial Assets from Gross Financial Debt. Additionally, 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 titled "**Adjusted Net Financial Debt**," which it believes 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, 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.

Adjusted 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).

Equity Free Cash Flow 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

- ***EBITDA After Lease ("EBITDA-AL")***: This is calculated by adjusting EBITDA by the amounts connected with the accounting treatment of the lease contracts.

- ***Organic EBITDA After Lease ("Organic EBITDA-AL")***: This is 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 ("Adjusted Net Financial Debt-AL")***: This is 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-AL represents an indicator of the ability to meet its financial obligations;

- ***Equity Free Cash Flow After Lease***: This is 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

The TIM Group believes that this measure is a useful indicator of the ability to generate Free Cash Flow.

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

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)

For further information on the TIM Group's primary non-IFRS measures, please see "*Presentation of Non-IFRS Measures—Presentation of Non-IFRS Measures of the TIM Group*" and the relevant footnotes thereto.

Presentation of Non-IFRS Measures of the TIM Group, NetCo and Optics on a pro forma basis after giving effect to the Transactions

In this Exchange Offer Memorandum, certain Alternative Performance Measures for the TIM Group, NetCo and Optics, respectively, are presented after giving *pro forma* effect to the Transactions.

In particular, the following non-IFRS measures for the TIM Group are presented after giving effect to the Transactions:

- Organic EBITDA-AL;
- Organic EBITDA-AL Margin;
- Adjusted Net Financial Debt-AL;
- Operating Free Cash Flow;
- Operating Free Cash Flow-AL;
- Ratio of Pro forma Adjusted Net Financial Debt-AL to Organic EBITDA-AL; and
- Ratio of Organic EBITDA-AL to Net finance income/(expenses).

For more information, see "*Summary Historical Consolidated Financial and Other Information and Pro Forma Carve Out Information of the TIM Group*."

In particular, the following non-IFRS measures for NetCo are presented on a pro forma basis after giving effect to the Transactions:

- Organic EBITDA-AL;
- Organic EBITDA-AL Margin;
- Adjusted Net Financial Debt-AL;
- Operating Free Cash Flow;
- Operating Free Cash Flow-AL
- Ratio of Pro forma Adjusted Net Financial Debt-AL to Organic EBITDA-AL; and
- Ratio of Organic EBITDA-AL to Net finance income/(expenses).

For more information, see "*Summary Historical Consolidated Financial and Other Information of NetCo and Optics*."

In particular, the following non-IFRS measure for Optics is presented on a pro forma basis after giving effect to the Transactions:

- Adjusted Net Financial Debt-AL *As adjusted for the Transactions*;
- Ratio of Pro forma Adjusted Net Financial Debt-AL *As Adjusted for the Transactions* to Organic EBITDA-AL of NetCo; and

- Ratio of Organic EBITDA-AL of NetCo to Net finance income/(expenses) *As Adjusted for the Transactions.*

The above non-IFRS measures, as well as the data presented in the "*As Adjusted*" column under "*Capitalization of NetCo and Optics*", have been prepared by Optics. The preparation of such data involved applying specific adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information. These adjustments were made to reflect the effects of the Transactions, based on certain assumptions, including the expected outstanding debt of Optics as of the Acquisition Closing Date on a *pro forma* basis for the Acquisition. For more information, see "*Summary Historical Consolidated Financial and Other Information of NetCo and Optics*."

Key Performance Indicators (KPIs) of the TIM Group

In this Exchange Offer Memorandum, the TIM Group presents certain key operating metrics which it believes clarifies its performance from period to period and facilitates comparison with its peers. These key performance indicators and other non-financial operating data included in this Exchange Offer Memorandum, including subscriber related data like ARPU, churn rate and penetration rate (described below), are derived from management estimates and are not part of the TIM Audited Consolidated Financial Statements or the TIM Group's accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. The TIM Group's use or computation of these measures may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these measures should not be considered in isolation or as an alternative measure of performance under IFRS.

The key performance indicators used in this Exchange Offer Memorandum are:

- ***Average Mobile Revenue Per User ("ARPU")***: ARPU is calculated by dividing the revenue for the applicable period by the average number of recurring customers for such period, divided further by the number of months in the applicable period. The TIM Group's Management believes that ARPU provides useful information concerning the appeal and usage patterns of the TIM Group's tariff plans and service offerings and its performance in attracting and retaining high-value subscribers of its services.

- ***Churn and churn rate***: Churn refers to the percentage of subscriber disconnections. The TIM Group deems mobile subscribers to have churned when their mobile services with the TIM Group are disconnected (whether resulting from a subscriber decision or a decision by the TIM Group). The TIM 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 TIM Group to other operators included in this Exchange Offer Memorandum may not accurately reflect the TIM Group's competitive position and the competitive positions of such other operators.

- ***Penetration and penetration rates***: Penetration refers to the measurement, usually as a percentage, of the relevant telecommunications services. As of any date, it represents the number of accesses or active lines of a specific service divided by the number of total households. The TIM Group calculates the penetration rate as a percentage for ultrabroadband (UBB) service adoption, convergent customers (including fixed line and mobile) and media content service adoption.

Key Performance Indicators (KPIs) of NetCo

In this Exchange Offer Memorandum, the TIM Group presents certain key operating metrics which it believes clarifies NetCo's performance from period to period and facilitates comparison with its peers. These key performance indicators and other non-financial operating data included in this Exchange Offer Memorandum, including FTTH coverage and FTTC coverage, are derived from management estimates and are not part of the NetCo Audited Combined Carve-out Financial Information or NetCo's accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. NetCo's use or computation of these measures may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these measures should not be considered in isolation or as an alternative measure of performance under IFRS.

Business Segments of the TIM Group

The TIM Group currently operates its business through three business units: the Domestic Business Unit, the Brazil Business Unit and Other Operations. These are operating segments in accordance with IFRS 8 (*Operating segments*). For further information, please refer to Notes 1 and 39 to the 2023 TIM Audited Consolidated Financial Statements, Notes 1 and 39 to the 2022 TIM Audited Consolidated Financial Statements and Notes 1 and 38 to the 2021 TIM Audited Consolidated Financial Statements.

As part of the Delayering Plan, the TIM Group is currently planning the reorganization of its structure through a revised business segmentation, which will account for the contribution of the NetCo Business to FiberCop and the sale of TIM's stake in FiberCop and it is expected that the TIM Group will continue to pursue its focused strategy. The resulting business areas are expected to be TIM Enterprise, TIM Consumer and TIM Brasil, which the TIM Group believes will more accurately represent the TIM Group's horizontal structure following the successful completion of the Transactions. In line with the Delayering Plan, during 2024, once the Transactions are completed, an assessment will be carried out to identify the operating segments in accordance with IFRS 8. This will take into account the specific guidance provided by the standard itself (autonomy of operating flows, method of allocating financial resources, management reporting, etc.). See "*Summary—The TIM Group's Strategy*."

NetCo Pro Forma Information

In this Exchange Offer Memorandum, the TIM Group presents revenue breakdown by business area (access services and premium and other services), by service for wholesale access services (FTTH, FTTC, ADSL & Legacy voice), capital expenditures based on cash flows (assurance and maintenance capital expenditures and growth capital expenditures). Although such information derive from the NetCo Unaudited Combined Pro Forma Carve-Out Financial Information, they have not been audited or reviewed by the TIM Group's independent auditors.

Exchange Rates

The TIM Group's consolidated financial results are reported in Euro. Certain financial information contained in this Exchange Offer Memorandum has been translated from BRL into Euro and U.S. dollars to Euro solely for your convenience. The TIM Group do not make any representation that any amount translated herein has been, or could be, converted into Euro at the rates indicated or any other rate.

SUMMARY

This summary highlights selected information contained elsewhere in this Exchange Offer Memorandum. This summary does not contain all of the information that you should consider before tendering in the New Notes and the Optics Notes. Prospective investors should read this entire Exchange Offer Memorandum before making an investment decision. Prospective investors should carefully consider the information set forth under "Risk factors," "Forward-looking statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group," "Management's Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo" and the historical and pro forma financial statements and the notes related to those financial statements appearing elsewhere in this Exchange Offer Memorandum.

The following summary of the TIM Group's business as well as references to the "TIM Group" are as of and for the year ended December 31, 2023. Therefore, unless explicitly stated otherwise or the context otherwise requires, the following summary of the TIM Group's business as well as references to the "TIM Group" therein do not reflect the effects and implications of the Transactions. See "Business of the TIM Group" for further information.

Unless explicitly stated otherwise, the following summary of NetCo's business as well as references to the "TIM Group" therein reflect the effects and implications of the Transactions as if they had already occurred. See "Business of the NetCo" for further information.

Overview of the TIM Group

The TIM Group is one of the leading information and communications technology ("**ICT**") providers, operating principally in Italy and Brazil. The TIM Group offers mobile and fixed-line telephony products and services to individuals and families for communication and entertainment and digitalization services to small and medium enterprises through a portfolio which is personalized to their needs. As of December 31, 2023, the TIM Group provided 30.1 million mobile lines (including both "human" SIM and Machine to Machine ("**M2M**")) and 8.0 million fixed-line lines (of which 5.6 million were ultrabroadband) in Italy, and 61.2 million mobile lines in Brazil.

History

The TIM Group, formerly known as Telecom Italia, is a joint-stock company established under Italian law on October 20, 1908.

On July 18, 1997, the predecessor to Telecom Italia was merged with and into Società Finanziaria Telefonica per Azioni ("**STET**"), its parent holding company, with STET as the surviving corporation. As of the effective date of the merger, STET changed its name to "Telecom Italia S.p.A." In November 1997, the Ministry of the Treasury of the Republic of Italy completed the privatization of Telecom Italia, selling substantially all of its stake in the predecessor Telecom Italia Group through a global offering and a private sale to a stable group of shareholders.

In July 1998, as part of the privatization of Telebrás, the Brazilian state-owned telecommunications monopoly, the Federal Government sold substantially all its shares of the twelve holding companies into which Telebrás had initially been broken up. After a series of corporate reorganizations, mergers, acquisitions and name changes, the majority of share capital is currently held, directly and indirectly, by Telecom Italia through its indirectly wholly owned subsidiary, TIM Brasil Serviços e Participações S.A., formed in 2002 as the holding company of Telecom Italia's operating companies in Brazil.

On May 21, 1999, Olivetti obtained control of the predecessor Telecom Italia Group through a tender offer where approximately 52.12% of predecessor Telecom Italia Ordinary Shares were tendered to Olivetti.

On August 4, 2003, the predecessor Telecom Italia merged with and into Olivetti. Olivetti, as the surviving company, changed its name to "Telecom Italia S.p.A."

In 2003, the TIM Group launched its 3G mobile network in Italy, becoming one of the first telecommunications companies in Europe to offer such technology at that time. The launch helped to establish the TIM Group as an innovative leader in the telecommunications industry. On June 30, 2005, Telecom Italia Mobile, a leading mobile telecommunications provider in Italy, merged with and into TIM. The acquisition further strengthened the TIM

Group's position in the Italian market, enabling it to offer customers a comprehensive range of telecommunications services.

On November 6, 2023, TIM entered into the Transaction Agreement for the sale of the NetCo Business to Optics. See "—*The Transaction*" for further information.

TIM Group Operations

The TIM Group's business comprises three business units: the Domestic Business Unit, which primarily includes its operations in Italy, the Brazil Business Unit and the Other Operations Business Unit, which includes ancillary operations of the TIM Group (including financial operations). See "—*TIM Group Business Units*" for further information.

Italy

In Italy, the TIM Group offers full-service solutions (including mobile voice, landline voice and fixed broadband), leveraging its own and third party operators' fixed and mobile infrastructure. As of September 30, 2023, the TIM Group held a leading position in Italy across both the fixed broadband and mobile (total SIM) retail markets, with market shares of approximately 40.2% and approximately 27.9%, respectively by number of lines (Source: AGCOM (Communication market monitoring system No. 4/2023)). As of December 31, 2023, the TIM Group's 4G mobile network covered approximately 99% of the population in Italy.

The TIM Group's service offerings include broadband speeds of up to ten gigabytes per second ("**Gbps**"), fully flexible television packages, including streaming services and a wide range of mobile data packages, with speeds of up to 2 Gbps on 5G networks. In 2022, the TIM Group completed the phase-out of its 3G network in Italy, enabling the TIM Group to focus on its ongoing investments in 4G and 5G technologies, which the TIM Group believes are more energy efficient and higher performing in terms of the quality of service offered to its customers. Additionally, as of December 31, 2023, the TIM Group provided approximately 7.2 million fixed line broadband retail accesses in Italy. Further, as of December 31, 2023, the TIM Group also provided approximately 30.1 million mobile lines (including both "human" SIM and M2M) in Italy. The TIM Group also holds the 3.6-3.8 GHz spectrum band and believes that it is well positioned to satisfy the market demand for LTE and 5G services. The TIM Group's 5G spectrum rights, acquired at auction in 2018, will expire in 2037.

In Italy, the TIM Group manages 16 data centers in eight cities (within 50,000 sqm if system rooms and approximately 58 MW available IT power) to guarantee the maximum levels of operation, security and energy efficiency as further certified by highest rankings in industry standards and certifications.

The resilience and sustainability of the TIM Group amidst macroeconomic events and geopolitical uncertainty has been demonstrated, particularly, in light of the COVID-19 pandemic and the Ukraine-Russia conflict. In particular, the TIM Group routinely establishes initiatives in support and in the wake of worldwide crises. In light of the declaration of the state of emergency of the Italian government, resolved by the Italian Council of Ministries on February 28, 2022, aimed at assuring, through to December 31, 2022, aid and assistance to the Ukrainian population on national territory, the TIM Group, among other operators, voluntarily started major solidarity initiatives in support, in particular, of its Ukrainian customers living in Italy, to allow them to communicate free of charge or at special prices with their family members in Ukraine. With the support of the European Commission, on April 8, 2022, TIM also signed a joint declaration, together with other EU and Ukraine operators to provide affordable or zero-rated roaming and international call services between the EU and Ukraine. The joint declaration seeks to provide a more stable context in which to help the Ukrainian evacuees throughout Europe to stay in contact with friends and family.

Brazil

In Brazil, the TIM Group offers mobile voice and data services, broadband Internet access, value-added services and other telecommunications services and products. The TIM Group believes that it is one of the main players and a leader in 5G coverage in the South American communications market, the TIM Group being the only operator in all the Brazilian municipalities. In 2021, the TIM Group completed the phase-out of its 2G network in Brazil. According to ANATEL, as of November 30, 2023, the TIM Group held 24% market share of the Brazilian mobile

telecommunications market and approximately 3% market share of the Brazilian fixed-line market. As of December 31, 2023, the TIM Group provided 61.2 million mobile lines in Brazil and its mobile network covered areas in which approximately 99% of the Brazilian urban population lives and works.

Following the acquisition by the TIM Group of Oi Movel S.A. ("**Oi**"), which completed in 2022, the TIM Group has the capacity to leverage the additional infrastructure and spectrum from Oi, together with the opportunity to exchange 4G into 5G investments and to accelerate the migration from FTTC to FTTH to drive network quality in Brazil. As a result of this acquisition, the TIM Group believes that it will have improved scale and new revenue generation opportunities, higher efficiency due to additional spectrum and opportunities to capture value from infrastructure overlap. The TIM Group, with the acquisition of Oi, became the leading player among Brazilian competitors in terms of cities covered, population served and spectrum per client. The TIM Brazilian mobile market share, as of December 31, 2023, was 24%.

TIM Group Operations as a Result of the Implementation of the Delayering Plan

As part of the Delayering Plan, the TIM Group is currently planning the reorganization of its business, which will account for the contribution of the NetCo Business to FiberCop and the sale of TIM's stake in FiberCop and it is expected that the TIM Group will continue to pursue its focused strategy. In line with the Delayering Plan, the resulting business is expected to be classified around three business areas: TIM Enterprise, TIM Consumer and TIM Brasil. The TIM Group believes these new future business areas will more accurately represent the TIM Group's horizontal structure following the successful completion of the Transactions. For a detailed description of the TIM Group's planned new business reshaping, please see "*—The TIM Group's Strategy—Delayering Plan—The new business areas set forth under the Delayering Plan: TIM Enterprise, TIM Consumer and TIM Brasil*."

Overview of NetCo

NetCo is the largest national independent not vertically integrated open-source fixed-line network provider by revenue in a major European country with €3,977 million revenue and €1,948 million Organic EBITDA-AL for the year ended December 31, 2023, after giving *pro forma* effect to the Transactions. NetCo will be the leading national fixed-line wholesale network in Italy, providing mission-critical digital infrastructure to households and businesses. As of December 31, 2023, NetCo, through its comprehensive suite of services and indirectly via its extensive customer base comprising approximately 550 telecommunications operators, has captured 84% of the access services for the fixed broadband market share, excluding FWA and 76% including FWA, as of September 2023. Additionally, NetCo holds in excess of 60% of premium connectivity market share as of December 31, 2022.

NetCo exhibits attractive infrastructure characteristics, including: (i) a difficult to replicate, operate and maintain network infrastructure with broad national FTTC coverage and an expanding FTTH network with limited overlap outside of Black Areas (as defined below), (ii) strong underlying demand in the Italian fixed broadband market, (iii) longstanding relationships with major operators, including TIM as the anchor tenant, as well as Fastweb, Vodafone, WindTre and SkyWifi, who generate high sales volumes, (iv) a hedge to technology risk, as its existing ADSL and FTTC network provides a natural hedge against the possibility of slower than expected FTTH take-up, and (v) strong profitability and cash flow conversion, with Organic EBITDA-AL for 2022 and 2023, after giving *pro forma* effect to the Transactions, of €1,812 million and €1,948 million, respectively.

NetCo's extensive network infrastructure in Italy will include 9.0 million kilometers of backbone fiber optics, more than 7 million square meters of real estate and more than 14.8 million kilometers of fiber optics corresponding to 372,000 kilometers of fiber cables, of which 135,000 kilometers of backbone and 237,000 kilometers of access as of December 31, 2023. After giving effect to the Transactions, NetCo will also have a strong workforce of approximately 19.9 thousand employees.

Italy represents one of the most attractive markets in Europe, given its low fixed broadband penetration in comparison to other European markets and is the only country to lack a DOCSIS co-axial cable infrastructure among major European countries. See "*NetCo Industry Overview*." Within Italy, NetCo's FTTx infrastructure stands at approximately 22 million homes passed as of December 31, 2023, delivering good broadband speeds of 50 to 200 Mbps. Currently, there are 9.2 million homes passed in Italy by FTTH infrastructure representing an attractive opportunity for continued FTTH development. Fiber network overlap is currently limited to Black Areas (as defined

below) only and there is a low risk of new entrants in the FTTH market given the challenges of building a scaled infrastructure and driving penetration. NetCo is well positioned to benefit from the secular growth trend of fixed broadband in Italy, which is expected to reach 88% penetration by 2031 as a result of expected FTTH coverage expansion and progress in digitalization.

A significant portion of NetCo's subscribers comes from operators other than the TIM Group. NetCo's relationships with its direct customer base are also characterized by longevity, with an average customer relationship duration of multiple years and anchor customers that, following the Transactions, will include the TIM Group and other leading operators underpinned by multi- term contracts.

NetCo's fiber roll-out strategy is backed by strong and stable profitability and cash flow generation, with Organic EBITDA-AL Margins of approximately 49% and 47%, for the years ended December 31, 2023 and 2022, respectively, after giving *pro forma* effect to the Transactions. NetCo's FTTC network also provides high stability and long term visibility of revenue.

NetCo's physical infrastructure assets are central to Italy's economy, providing long term cash flows with limited correlation to economic cycles.

Furthermore, NetCo is backed by strong support from KKR, which has a strong track record in investing in infrastructure. NetCo was also subject to a memorandum of understanding (the "**MoU**") between the Italian Government and KKR signed on August 10, 2023 with respect to the Italian government obtaining a minority stake in NetCo. The MoU has been superseded by the Agreed Form SHA, which reflects the provisions of the MoU (with such amendments as agreed between KKR and the Italian government).

NetCo's Key Strengths

NetCo is expected to benefit from the following competitive strengths, some of which will be further strengthened by the successful completion of the Transactions:

NetCo owns the largest independent fiber network in Europe and is expected to be the first independent network player in a major European economy.

NetCo is expected to become the main national fixed line wholesale network in Italy and the third largest by revenue in Europe. Its scaled national infrastructure network is expected to become the first largest and independent fiber network (including its FTTH and FTTC networks) in a major European economy, meaning that it will not be vertically integrated or owned by a fixed-line or mobile telecommunication operator and will be able to offer services on an operator-neutral basis and as an independent player. For the year ended December 31, 2023, after giving *pro forma* effect to the Transactions, NetCo generated €4 billion in revenue. NetCo is expected to be the only operator in Italy with a national infrastructure capable of reaching almost every home passed. With an infrastructure network that is invested across several fixed line technologies (ADSL, FTTC and FTTH), NetCo's FTTx coverage extended to 22 million homes passed and its FTTH coverage of 9.2 million homes passed as of December 31, 2023 represented 58% of its roll-out plan.

NetCo is expected to benefit from 9.0 million kilometers of backbone fiber optics, more than 7.0 million square meters of real estate and more than 14.8 million kilometers of fiber optics corresponding to 372,000 kilometers of fiber cables, of which 135,000 kilometers of backbone and 237,000 kilometers of access network and NetCo is also expected to benefit from a strong workforce of 19.9 thousand employees.

NetCo's fixed line network in Italy represents mission-critical strategic infrastructure.

NetCo is expected to own a wholly penetrated fixed-line network in Italy, potentially ensuring the widest national coverage through a network that will extend across several technologies, including both copper and fiber, and reaching nearly all Italian households and businesses. Its nationwide network includes 13.7 million copper accesses, providing nearly 100% FTTC coverage and NetCo is committed to increasing its 1.5 million FTTH accesses as of September 30, 2023. The scale and depth of NetCo's infrastructure makes it hard to replicate.

NetCo underpins a mission-critical fiber connectivity market with growing demand for reliability, high speeds and bandwidth from across society, including consumers, businesses, the public sector and carriers. With increasing digitization in all areas of life and business and continuous growth in Internet traffic, the mission-criticality of NetCo's fixed line network is underlined by the fact that down time in the network could trigger significant financial, social, reputational and security impacts.

NetCo has strong relationships with all major Italian operators and will further benefit from the Master Services Agreement with TIM.

NetCo is expected to have a strong customer base with blue-chip customers, in areas where it competes, and commercial relationships with all the major operators in the areas where it is the sole network provider of ADSL, FTTC and FTTH. In particular, in Black Areas, TIM Group as NetCo's anchor tenant, as well as Fastweb, Iliad and Tiscali combined account for more than half of NetCo's subscriber base. NetCo also benefits from agreements with Vodafone, WindTre and SkyWifi, either directly or via wholesale agreements with Fastweb.

Additionally, upon the successful completion of the Acquisition, on the Acquisition Closing Date, TIM and NetCo will enter into a master services agreement (the "**Master Services Agreement**" or "**MSA**") pursuant to which NetCo will provide or procure certain services to TIM and TIM will provide or procure certain services to NetCo. NetCo will mainly provide: (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers, (ii) premium connectivity services such as point-to-point fiber optic connectivity, (iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end-consumers, (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo, (v) energy supply and procurement services (which will be specifically provided by Telenergia) and (vi) other minor services. On the other hand, the TIM Group will mainly provide certain ancillary services including: (i) mobile telecommunication services for NetCo's employees, (ii) hosting arrangements within TIM Group's data centers, (iii) access to the corporate network, (iv) the provisions of IT services supporting NetCo's employees activities and (v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs. The MSA will have a general duration consisting of a first term of 15 years with a renewal mechanism for an additional term.

NetCo will be the main wholesale operator in Italy and anticipates the completion of its FTTH infrastructure deployment in Grey Areas as outlined in the NRRP tenders, by 2027.

NetCo reached 84% of the access services market for fixed broadband, excluding FWA, and 76% including FWA as of September 2023. NetCo is expected to become the sole wholesale provider of fixed broadband (including ADSL and FTTC) at scale in each area it serves in Italy, except for FTTH where there is network overlap in Black Areas. NetCo's unique positioning in the fixed-line broadband market is underpinned by the extensive and comprehensive reach of its network infrastructure due to significant historical investment, which is difficult to fully replicate mainly due to the high costs and capital expenditures associated with developing a comparable infrastructure that offers similar national coverage, latency and bandwidth.

In Italy, FTTH coverage and competition is segmented according to European Union guidelines into Black, Grey and White Areas, with an added level of granularity within Grey and White Areas provided by the TIM Group's accounting of the impact of the "Italia a 1 Giga" plan (based on management's estimates):

- White Areas are areas without ultrabroadband (UBB) networks (connectivity), where private investors do not intend to invest in the next three years without public support. Within these White Areas, low density areas (reaching approximately 4.3 million households) have been granted a concession by Infratel to Open Fiber for service provision. In contrast, in very low density areas, (reaching approximately 0.5 million households), undertaking fiber roll-out investments is not considered economically efficient.

- Grey Areas are areas in which an ultrabroadband network is present or is expected to be developed in the next three years by a single private operator per lot. Subsidies associated with the "Italia a 1 Giga" plan are allocated to only specific segments of these Grey Areas. Given the lack of significant overlap between

NetCo's and Open Fiber's fiber networks, NetCo and Open Fiber act as the sole providers in their respective subsidized areas.

- Black Areas are areas in which at least two ultrabroadband networks of different operators are present or are expected to be developed over the next three years. In Italy's case, the Black Areas would be those areas of the market where both NetCo and Open Fiber are present and their respective fiber networks overlap.

Specifically, outside of certain Black Areas, where NetCo's market share and that of its sole competitor, Open Fiber, are determined by wholesale agreements with telecommunications operators, there is limited FTTH overlap and NetCo is expected to remain the main FTTH provider where NetCo rolls out FTTH, as a result of unit economics and government concessions:

- In certain Grey Areas, NetCo has started to roll out its FTTH network, aiming to bring its coverage up from 19% to 100% by 2027, while competitors have no official roll-out plan in these areas and low ARPU relative to capital expenditure per house passed makes competition and overbuild, in which a network provider builds a competing network in an area already served by an existing network, economically unattractive.

- In other, more suburban Grey Areas, the roll-out of FTTH is allotted to either NetCo or Open Fiber on an exclusive, subsidized, area-by-area basis as determined by the result of the "Italia 1 Giga" tender mapping through the NRRP. In May 2022, the TIM Group was awarded seven lots for the FTTH rollout, covering approximately 2.9 million "unique addresses" that could potentially receive connectivity. This number was halved following the completion of walk-in activities in July 2023. Italy's "Italia a 1 Giga" plan aims to provide better connectivity in rural areas, covering approximately 6.9 million unique addresses. The plan involves subsidies of €3.7 billion and aims to cover areas not included in any fixed ultrabroadband roll-out plan. Under the tender scheme, subsidies to cover a maximum of 70% of the overall eligible investments are available under a roll-out timetable to be completed by June 2026. The temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop, which has been awarded €1,628 million of subsidies to roll out fiber to its seven lots under the "Italia a 1 Giga" tender represent the maximum amount of subsidies that was available to it under the scheme. As part of the Acquisition, the "Italia 1 Giga" plan and its associated subsidies will be transferred, in whole or in part, to NetCo.

In White Areas, NetCo is expected to mainly operate through its existing FTTC network. No NetCo FTTH roll out is foreseen in certain White Areas where Open Fiber operates as the sole FTTH network provider.

Although wholesale telecommunication operators in Italy currently compete on a single network, with the exception of Black Areas and certain Grey Areas where long-term wholesale agreements are in place, Italy has two main network operators deploying fiber nationally: NetCo and Open Fiber. In contrast, peer European countries such as Spain, Germany, the United Kingdom, and France feature at least four fiber network deployers focusing on different geographic areas.

Italy also features a supportive framework incentivizing investments in digital infrastructure with subsidies and support through the aforementioned "Italia a 1 Giga" plan.

NetCo operates in a very attractive Italian market with strong digitalization tailwinds and where its FTTC network provides a hedge against slow FTTH take-up.

Italy is one of the most attractive markets in Europe, having a low fixed broadband penetration rate of 66% of households in comparison to rates exceeding 80% for peer European countries as of 2021.

Italy is the only major European country to lack DOCSIS co-axial cable infrastructure, having instead one primary nationwide network for Internet connectivity based on copper infrastructure. See "*NetCo Industry Overview*." This has resulted in an extensive, high-quality FTTC network with average distance between cabinets and premises among the shortest in Europe, thereby ensuring high connection speeds. This FTTC network provides a valuable complement to the significant opportunities for FTTH development in Italy.

These FTTC connections remain resilient and cash generative in the Italian market, delivering high speed broadband speeds of up to 200 Mbps, supporting a strong customer base in the long term. As of September 30, 2023, FTTC accounted for approximately 65% of NetCo's subscribers, whereas FTTH and ADSL and traditional voice accounted for 11% and 25%, respectively. In the medium term, FTTC connections are expected to maintain stability as the migration from FTTC to FTTH is anticipated to be balanced by the shift from legacy technologies (primarily ADSL and traditional voice) to FTTC.

As a result of the sufficiency and quality of Italy's FTTC connections, the FTTH market in Italy also remained underpenetrated at 13%, as compared to an average of 35% across the European Union as of September 30, 2022 (*source: FTTH Council, April 2023*), supporting significant digitization opportunities as customers migrate. The availability of FTTH in the Italian market is anticipated to grow rapidly from 53.7% coverage of homes available in 2022 to 85% by 2026, with NetCo expected to be a significant contributor to such growth. See *"—NetCo will be the main wholesale operator in Italy and anticipates the completion of its FTTH infrastructure deployment in Grey Areas as outlined in the NRRP tenders, by 2027.*"

For NetCo, the ownership of the sole national FTTC network provides a natural hedge against the possibility of slower fiber take-up by subscribers, despite FTTH becoming widely available.

Stable revenues with large, resilient cash flows.

NetCo's strategy is underpinned by strong and stable profitability and cash flow generation with high long term visibility, with Organic EBITDA-AL for 2022 and 2023, *pro forma* after giving effect to the Transactions, of €1,812 million and €1,948 million, respectively. In particular, NetCo's resilient cash flows are further underpinned by its stable cash flow generated by its ADSL and FTTC services and certain multi-year wholesale contracts in place, including the Master Services Agreement.

After giving *pro forma* effect to the Transactions, for the year ended December 31, 2023, NetCo's revenue amounted to €4 billion.

As NetCo rolls out its fiber network, it is expected that NetCo will significantly reduce its operational costs base and capital expenditure requirements. After giving pro forma effect to the Transactions, for the year ended December 31, 2023 and 2022, NetCo's assurance and maintenance capital expenditures represented approximately 18% and 21% of its capital expenditures, respectively. FTTH and FTTC are more energy-efficient than copper, requires lower central office density and less maintenance than copper, and their greater reliability requires fewer field support staff.

KKR's track record in managing infrastructure in Italy in partnership with the TIM Group provides a strategic advantage in managing NetCo following the Transactions, as further supported by a slate of blue-chip investors

KKR is a leading global investment firm with more than $553 billion of assets under management, including more than $50 billion in infrastructure assets. After the Transactions, KKR will indirectly exercise sole control over NetCo. KKR will be able to provide NetCo with a dedicated team of highly experienced professionals, enhanced through the interaction with KKR Capstone, a team of approximately 100 operating executives who work with portfolio company senior managers to help identify and implement operational improvements.

KKR's investment in NetCo will follow its strong track record of investments in fiber infrastructure and will represent a natural continuation of its investment in FiberCop in which it indirectly acquired a 37.5% stake in 2021. KKR has successfully completed eight fiber transactions globally, including, among others, the acquisition of a 30% stake in the Norwegian Telenor Fiber AS in 2023 and the acquisition of a 49% stake in the Spanish dark fiber operator Eléctrica Infraestructuras de Telecomunicación SAU (Reintel) in 2022. KKR believes that through these acquisitions it has helped accelerate the speed of fiber roll-out, customers' and subscribers' migration and the overall development of the telecommunications infrastructure space in the respective countries. With its involvement in NetCo, KKR aims to leverage the strong track record and experience in Italy it has gained since the 2021 acquisition of its stake in FiberCop, the TIM Group company that combines its secondary network and its fiber network infrastructure.

Furthermore, a blue-chip slate of investors will be investing in NetCo alongside KKR, as minority shareholders on the terms set forth in the Agreed Form SHA, including (directly or indirectly) the MEF, the Abu Dhabi Investment

Authority, F2i (Fondi Italiani per le Infrastrutture) and Canada Pension Plan Investment Board. This strategic partnership is expected to align NetCo's strategy with the Italian digitalization agenda. See "*Principal Shareholders of Optics—Principal Shareholders of Optics—Shareholders' Agreement*."

NetCo's Strategy

NetCo, as a prominent independent wholesale provider of fixed broadband services in Italy, aims to benefit from growth opportunities from Italy's underpenetrated fixed broadband and ultrabroadband connections, as only approximately 66% of Italian households have a broadband connection versus an average European penetration of approximately 78% as of December 31, 2022 (*source: "Digital Economy and Society Index 2022" – European Commission*). The ongoing investment program to deploy FTTH, in certain areas, also benefits from government support under the NRRP for the "Italia a 1 Giga" and "5G Backhauling" initiatives, for which the TIM Group has been awarded and will receive a reimbursement totalling approximately 70% and 90% of the total eligible investments for the "Italia a 1 Giga" and "5G Backhauling" plans, respectively. Data consumption in Italy is expected to continue growing, driven primarily by broadband connectivity usage and will be further supported by the FTTH deployment. As reported by AGCOM, fixed data traffic over the first nine months of the year has doubled between 2019 and 2023. Following a FTTH investment cycle, NetCo expects to become a focused infrastructure company with stable cash flows as a regulated business set to guarantee third-party access to large communication service providers.

Leading on sustainability by advancing digitization

NetCo intends to accelerate Italy's transition to a digital and sustainable economy through innovative infrastructure and digital solutions. NetCo aims to create efficient infrastructure with an increasing use of renewable energy, circular models for recycling and recovery of waste and selection of suppliers by evaluating their commitment to sustainability. The fiber roll-out is key to NetCo's sustainability project as, in addition to being more energy efficient, production of fiber results in significantly lower CO_2 emissions than copper wires, and fiber is made of abundant, non-harmful silicon dioxide. In addition, NetCo's energy-saving plan has already led to 28 GWh of fixed network energy savings in 2023 via decommissioning activities that included the shutdown of obsolete technologies and services, such as network exchanges. NetCo also adopts new processes to avoid waste and transform it into value, such as measuring the revenue generated by lower waste production and an increase in the resale of waste and unused goods

Go-to independent wholesale provider

NetCo intends to become the leading independent wholesale provider of fixed broadband services in Italy by offering services on a non-discriminatory operator-neutral basis. This will drive scale and network utilisation as well as further reinforce the aforementioned digitalization tailwinds in Italy.

Future-proofing investment program

While NetCo has built a next-generation fixed 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. NetCo intends to continue its FTTH roll-out, with the aim to achieve approximately 48% FTTH coverage of all households by 2025, up from approximately 38% as of December 31, 2023 and approximately 32% as of December 31, 2022.

NetCo's investment plans are expected to meet customer demand for high-speed services and to provide the critical high capacity fiber backhaul services required by mobile operators to meet the growing demand for mobile data services. Growth in data traffic is expected to increase the utilization of NetCo's fiber network. The ongoing investment program benefits from government support under the NRRP for the "Italia a 1 Giga" and "5G Backhauling" initiatives.

NetCo's cost savings potential

The shift from copper to fiber is expected to reduce the operational cost structure and result in slowing capital expenditure requirements, as fiber features lower real estate requirements, while increased take-up from the operational

status of the planned deployment of FTTH network is expected to further contribute to economies of scale and growth in profitability. Further, additional significant savings are expected from other aspects of the business, including:

- the use of more efficient technology enabling a significant reduction in maintenance costs, providing for 4x savings for certain technologies; and
- the natural retirement of NetCo's workforce will contribute to adjust the staff base over time while allowing NetCo to hire young talent and reskilling the current workforce. For context, 53% of NetCo's workforce is more than 55 years old as of December 31, 2023.

Moreover, in relation to wholesale tariffs, AGCOM has approved, and the EU Commission has greenlighted, an increase in regulated access prices for 2023 in comparison to 2022, for certain jurisdictions, including Italy, which are applicable retroactively from January 1, 2023.

The TIM Group's Key Strengths

The TIM Group believes that it benefits from the following competitive strengths, some of which will be further strengthened by the successful completion of the Transactions and the implementation of the Delayering Plan:

The TIM Group is a leading player in the Italian telecommunications market and benefits from an improving domestic market environment across the different business units after years of challenging market conditions.

The TIM Group is a leading player in the Italian fixed and mobile retail services and mobile wholesale markets.

While the Italian telecommunications market (in both the fixed and mobile retail segments) has experienced some price pressure as a result of years of competitive tension, due to the elevated number of operators, the mobile and fixed retail markets are now showing clearer signs of market rationality. This translates into lower churn rates and offers opportunities to upsell customers with "more for more" propositions. See "*—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 during the COVID-19 pandemic, as the industry has facilitated valuable activities such as remote working, e-schooling and virtual entertainment.

The Italian broadband market is still underpenetrated and, accordingly, it shows room for further growth. Due to lack of cable infrastructure and difficult morphology, as of December 31, 2023, Very High Capacity Network ("**VHCN**") coverage in Italy was approximately 54% compared to approximately 73% in the European Union, according to the Digital Decade Country Report 2023, issued by the European Commission. This trend suggests that Italy may offer opportunities for further network deployment, particularly fiber roll-out. Following the successful completion of the Transactions, the TIM Group is expected to benefit from this trend in two significant ways. First, through the Master Services Agreement, the TIM Group will have access to NetCo's future deployed fiber network benefitting from the extended duration of the Master Services Agreement. Secondly, by externalizing the NetCo Business and its potential coverage growth, the TIM Group is expected to benefit from a decrease in capital expenditures and a corresponding reduction in associated risks.

In the consumer segment, the TIM Group 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.

In the enterprise segment (which mainly focuses on large enterprises and public administration), relevant drivers for data traffic growth include cloud services, 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, as of September 30, 2023, fixed and mobile data traffic had almost doubled and tripled, respectively, in three years.

The TIM Group also competes in IT services, which, even if such market has been consistently growing in the last years, has historically been, and remains, underpenetrated compared to equivalent markets in other European countries. In the year ended December 31, 2023, the business spending for IT and connectivity services in the Italian market addressable by the enterprise segment was as follows: (i) approximately €3.6 billion (for which the TIM Group addresses approximately 30% of the spending in the serviceable market) spent on IoT, (ii) approximately €4.7 billion (for which the TIM Group addresses approximately 60% of the spending in the serviceable market) spent on cloud services, (iii) approximately €1.8 billion (for which the TIM Group addresses approximately 60% of the spending in the serviceable market) spent on security services; (iv) approximately €2.3 billion (for which the TIM Group approximately 70% of the spending in the serviceable market) spent on traditional connectivity services and (v) approximately €13 billion (for which the TIM Group addresses approximately 56% of the spending in the serviceable market) spent on other IT services and products. 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 digitalization. The TIM Group's ability to foster the digitalization of the country has also passed through the development of strategic innovation programs in the territory, in which TIM has acted effectively as an enabler of open innovation and co-innovation models, through participation in technology transfer centers, such as five public-private partnership state funded Competence Centers. Commitment to innovation allowed TIM to be among the few enterprises representing Italy in the €1.2 billion funds IPCEI project on cloud and Edge computing, awarded by the European Commission during 2023.

The Italian IT services markets are characterized 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 public sector companies. As a result, the TIM Group believes that such dynamics favor local players, thus allowing the TIM Group to capitalize 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 the TIM Group believes makes entering the Italian telecommunications markets more challenging for international players. The TIM Group considers that the growth of its underlying enterprise market is mainly driven by strong ongoing digitalization 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 9% between 2022 and 2026), (ii) cloud services (which is expected to grow by a CAGR of approximately 17% between 2022 and 2026), (iii) security (which is expected to grow by a CAGR of approximately 11% between 2022 and 2026), and (iv) traditional connectivity services which is expected to grow by a CAGR of approximately 1.4% and 0.7% between 2022 and 2026) and other IT services (which is expected to remain substantially stable between 2022 and 2026).

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 modernization 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 fiber and 5G as well as satellite technologies, and simplifies the regulatory framework for their rollout. Under the NRRP, the TIM Group has been awarded approximately €2.9 billion (includes the amount awarded to TIM and the temporary business groups led by TIM), which will allow clear opportunities for the TIM Group in the infrastructure development, digitization and innovation fields. In particular, the TIM Group was awarded two lots under the "connected healthcare" initiative (representing approximately 3,100 healthcare facilities) and four lots under the "connected schools" initiative (representing approximately 5,900 schools). For more information, see "*Regulation of the TIM Group—Regulatory Levies*" and "*Regulation of NetCo—Regulatory Levies.*"

The TIM Group holds a leading market share in Italy in its fixed and mobile retail and enterprise sectors.

The TIM Group benefits from an established leading position across the fixed retail Italian sectors (including voice and fixed broadband) with a 40.2% market share as compared to 15.9%, 14.0%, 13.8% and 3.7% for the next four competitors and 11.4% for the remaining players, as of September 30, 2023. In the mobile market in Italy (including mobile voice and mobile broadband, and including both "human" SIM and M2M), the TIM Group benefitted from a 27.9% market share as compared to 27.2%, 23.7%, 9.7% and 4.1% for the next four competitors and 7.5% for the remaining players, as of September 30, 2023 (Source: AGCOM Communication market monitoring system No. 4/2023). The TIM Group's service offering is a best in class offering 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.

The TIM Group is an ICT player in Italy and benefits from an established position in the Italian IT services market for large enterprise and is uniquely positioned in the public administration segment through the Domestic Enterprise organization and an ICT value proposition based on multiple lines of business (i.e. fixed, mobile, cloud, cyber security, IoT and professional services). The TIM Group is one of the leading ICT providers for large enterprises, serving approximately 33,000 customers. Moreover, the TIM Group holds 47% market share in connectivity services for the large enterprise market (i.e. services needed to provide connections, or unique, active service access points, to the network). This includes voice services and data services as well as M2B network access and human access. A single subscriber may operate several different connections and multiple connections may be associated with one subscriber or one device. The TIM Group also benefits from approximately 8% market share in IT services (i.e. application of business and technical expertise to enable organizations to create, manage and optimize, or access, information and business processes). The IT services market can be segmented by the type of skills that are employed to deliver the service (such as the design, building and operation of services).

The TIM Group is also a leader and has a unique position in the provision of services for public administration, with approximately 25,000 clients and a consolidated market share with respect to connectivity services and IT services in Italy as of December 31, 2023. Consolidating itself as a pioneer company in the country's digital transformation process, the TIM Group has taken on a key role in the implementation of the NRRP, with particular reference to the National Strategic Hub works to which more than 300 public administrations have already adhered, thus representing a fundamental axis in the national strategy for the digitization of the Italian public administration sustained by approximately €2 billion NRRP Mission 1 funds. Moreover, the TIM Group has started the deployment of LTE Public safety mobile services which was awarded to TIM by the Italian Public Security Department in 2022.

The IT service market is characterized by a relatively high compound market share captured by many local players, mainly due to cultural and local commercial complexities, such as language, local regulatory and privacy constraints in most industries (including banking, energy and healthcare) as well as the importance of local relationships and proximity to customers. The TIM Group is one of the largest local players in this highly fragmented market, in which it believes scale increasingly matters, and the TIM Group is able to capitalize on its position as a leading ICT provider to large customers and the public administration segment due to the trust that it has built with, and its proximity to, such customers and its ability to offer converged end-to-end solutions. The TIM Group believes that due to a trend among its customers to reduce operational complexity, compounded by increasing internal ICT skills shortages, by consolidating key partners for telecommunication and data services, cloud, IoT and security, a natural convergence will occur. Accelerated by NRRP, the growth in IT services spend is also driven by the increasingly mission-critical nature of IT Services in business operations which the TIM Group 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.

Following the successful implementation of the Delayering Plan, the TIM Group is expected to further capitalize on its leading positions across its served markets through a highly resilient business model partly due to its ability to offer full-service solutions (including mobile voice, landline voice and fixed broadband) and leverage its own mobile infrastructure, the portion of fixed-line infrastructure which is not included in the NetCo's Business and NetCo's fixed-line infrastructure through the Master Services Agreement. See "*—Summary—The Transactions—Master Services Agreement*" for further information.

The TIM Group has a set of valuable assets, from a top brand, to unique telecommunications and IT infrastructure and know-how and is a dedicated customer service provider.

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

Top Brand and Know-How

The TIM Group benefits from strong brand recognition in the telecommunications industry in Italy, with a brand awareness of approximately 65% and a top-of-mind awareness, to June 2023, at approximately 43% among a consumer target population representative of the broader Italian population according to MPS Research – Brand Image & Reputation Study – June Report. The TIM Group's leading market positions in Italy in fixed and mobile retail and mobile wholesale markets further underscore the strength of its brands among Italian consumers. The TIM Group is also well advertised throughout Italy, partnering with popular music events, key personalities and opinion leaders, such as Matteo Berrettini, Danielle Madam, Christian Vieri, Federica Pellegrini, Marcell Jacobs, Iza and Marcos Mion, in order to maintain its brand positioning across different target groups and industries.

The TIM Group'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, the TIM Group is expected to leverage its extensive and reliable mobile network as well as its future partnership with NetCo 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. See "—*The Transactions—Master Services Agreement*."

Telecommunications and IT Infrastructure

The TIM Group benefits from unique telecommunications and IT infrastructure in Italy. As part of the Delayering Plan, the TIM Group will invest in various technology advancement initiatives which are expected to allow it to possess the most distinctive digital and telecommunication infrastructure in Italy. In particular, as of December 31, 2023, the TIM Group has provided 30.1 million mobile lines (including both "human" SIM and Machine to Machine ("**M2M**")) and 8.0 million fixed-line retail lines (of which 5.6 million were ultrabroadband) in Italy, and 61.2 million mobile lines in Brazil.

Furthermore, following the successful implementation of the Delayering Plan, the TIM Enterprise business area will be an infrastructure-based ICT player in Italy in light of its assets base, which spans from telecommunication assets to the largest proprietary data center footprint in the country, with 16 data centers, of which seven were "top tier," as of December 31, 2023. Over recent years, the TIM Group has deployed significant investments and has developed specific expertise in leading technologies and solutions. The TIM Group expects that the TIM Consumer business area will own a proprietary backbone in strategic areas, with a mobile virtual network operator agreement within the consumer segment, which will guarantee participation in tenders requiring a proprietary backbone and a mobile core network and to offer flexibility to match client requirements.

Customer service

The TIM Group is dedicated to customer service and maintaining strong relationships with its loyal customer base. In particular, the TIM Group has invested considerably in recent years to improve its customer service, which has resulted in better customer experiences and reduced churn rates. These improvements reflect the TIM Group's focus on better services and the shift to a more digital customer service model. High customer satisfaction is further underpinned by the TIM Group's extensive customer data, a unique combination of digital and physical channels service and a reliable customer service platform. Specifically, the TIM Group benefits from a loyal customer base, with on average a continued relationship of over 20 years with its top ten clients. These longstanding relationships are underpinned by its end-to-end solutions and experienced employee base who provide deep institutional knowledge. The TIM Group deploys a significant amount of resources to attract, maintain and train its employees, project managers and digital and technology specialists. The TIM Group 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.

The TIM Group's cutting-edge mobile infrastructure will be further strengthened by the TIM Group's ongoing future-proofing investment program.

The TIM Group's 5G network is among the fastest in Europe in terms of download speed according to Opensignal. The TIM Group's 5G has reached 2,300 municipalities as of December 31, 2023, with service already available in each of them (in Milan, the TIM Group's 5G has reached over 90% coverage), with capex-efficient deployment benefitting from the sharing of network infrastructure with Vodafone. The TIM Group has provided approximately 30.1 million mobile lines (including both "human" SIM and M2M) in Italy as of December 31, 2023. The TIM Group has also entered the world's top 30 companies for having enabled an improvement in the switch from the 4G to the 5G network in terms of download and upload speeds as well as in the spread of videos and gaming experience. Moreover, as of December 31, 2023, the TIM Group's 4G network covered over 99% across Italy, marking the highest level recorded in Italy. Such extensive coverage has been maintained since 2018, following a steady increase from approximately 88% in 2015, approximately 96% in 2016 and approximately 98% in 2017. With this rapid expansion of 4G network coverage, the TIM Group believes that it is well positioned to satisfy the growing market demand for LTE and 5G services.

Future-proofing Investment Program

While the TIM Group has built a market leading, next-generation mobile infrastructure through significant investments over time, it remains committed to further developing and future-proofing its mobile network with the support of NRRP funds by investing in the latest network technologies. In particular, the TIM Group intends to continue updating and expanding its mobile network, which it expects to significantly expand 5G coverage to approximately 90% across Italy by 2025 in line with its 5G 700 MHz licensing obligations and increase its high-speed mobile data capabilities to over 50% of the population with 3.7 GHz. The TIM Group'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 700 MHz, 1x80 MHz in 3.6-3.8 GHz and 1x200 MHz in 26.5-27.5 GHz), further consolidating its leading role in the sector. These 5G spectrum rights expire in 2037. Moreover, in the future, the TIM Group will gradually be able to use its 4G frequencies (including its 800 MHz, 1800 MHz, 2100 MHz and 2400 MHz bands) for 5G.

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

The Brazil Business Unit benefits from next-generation telecommunication infrastructure, driving strong growth, profitability and cash flow generation.

The TIM Group entered the Brazilian market more than 20 years ago. Through the Brazil Business Unit, the TIM Group 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 255 million "human" SIMs and M2M SIMs collectively and, according to Anatel, approximately 47 million fixed lines, as of November 30, 2023. 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 acquisition. The TIM Group believes that it is well positioned to benefit from this growth, underpinned by its acquisition of Oi mobile assets, which completed in 2022. The TIM Group believes that the Brazilian market offers strong growth and expects the Brazil Business Unit 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.

The Brazil Business Unit 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 November 30, 2023, the Brazil Business Unit had approximately a 24% market share of the Brazilian mobile telecommunications market and approximately 3% market share of the Brazilian fixed-line market. The Brazil Business Unit is one of the most profitable group of companies in the Latin American telecommunications market achieving leadership among its peers.

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

The TIM Group is a leading and historically profitable company. On the key profitability metric of Organic EBITDA margin, the TIM Group is among the top performers in the Italian market with an Organic EBITDA margin of approximately 39% for the year ended December 31, 2023, slightly better than comparable European peers with an average Organic EBITDA margin of approximately 37%, according to TIM's management's analysis of publicly reported financial statements.

The TIM Group generated an Organic EBITDA-AL of €5,304 million for the year ended December 31, 2023 and €3,450 million for the year ended December 31, 2023, after giving pro forma effect to the Transactions. See "*Summary Historical Consolidated Financial and Other Information and Pro Forma Carve Out Information of the TIM Group*." Moreover, the TIM Consumer and TIM Enterprise business areas, are expected to benefit from structural resiliency in the Italian market, allowing for increased predictability as well as profitability.

The TIM Group believes that its resilient profitability profile is a direct result of its focus on cost optimization and organizational efficiency, which it expects to be further underpinned by the Transformation Plan (as defined below) as well as a prudent capital expenditure policy. Specifically, the TIM Group's Transformation Plan (as defined below) includes long-term targets regarding savings on labor and external operational capital expenditure, expected to be achieved by accelerating digitalization, simplifying the cost structure and labor and cost optimization. See "*—The TIM Group's Strategy—Transformation Plan*" for more details.

In addition to ongoing cost-saving initiatives, the mobile and fixed markets are now showing clearer signs of market rationality on price. The fixed churn rate has been stable, with a monthly average churn rate of 1.1% for the year ended December 31, 2023, in comparison to 1.1% and 1.1% for the year ended December 31, 2022 and December 31, 2021, respectively. The mobile churn, despite price increases, has been contained, with a monthly average churn rate of 1.1% for the year ended December 31, 2023, in comparison to 1.1 and 1.2% for the year ended December 31, 2022 and December 31, 2021, respectively. Additionally, for the year ended December 31, 2023, compared to the year ended December 31, 2022, the TIM Group's net adds improved and consumer fixed ARPU (net of activation fee) increased by 4.1%.

The TIM Group had selectively repriced 4.3 million fixed lines and 2.1 million mobile lines between January and March 2023, which the TIM Group believes would have achieved significant revenue upside for the year ended December 31, 2023, in comparison to year ended December 31, 2022. 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. The TIM Group's "more for more" proposition involves repositioning the customer base for higher value deals by providing them more value in terms of calls, data and content for the price paid.

In relation to wholesale tariff pricing, AGCOM has approved, and the EU Commission has greenlighted, an increase in regulated access prices for 2023 in comparison to 2022, for certain jurisdictions, including Italy, which are applicable retroactively from January 1, 2023.

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

The TIM Group benefits from a highly accomplished and experienced management team, led by its CEO, Pietro Labriola, who was appointed as general manager in November 2021 and then appointed as CEO in January 2022 and brings over 20 years of experience at the TIM Group including as the former CEO of TIM Brasil where he transformed TIM Brasil from a newcomer to a market leader. Under Pietro Labriola's leadership, the Brazil Business Unit has

successfully evolved from a newcomer with an EBITDA margin of approximately 34% as of December 31, 2016, to a market leader with an EBITDA margin of 46% margin for the year ended December 31, 2022. The TIM Group's senior managers also include Adrian Calaza as CFO, Claudio Giovanni Ezio Ongaro as Chief Strategy, Business Development & Wholebuy Officer, Elio Schiavo as Chief Enterprise and Innovative Solutions Officer and Andrea Rossini as Chief Consumer, Small & Medium and Mobile Wholesale Market Officer, who together have strong sector knowledge of the broader telecommunications environment and international experience. See "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—Any changes in the TIM Group's directorship and/or senior management could adversely affect the TIM Group's business*."

The TIM Group'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 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 TIM Group's management brings a strong commitment to deleveraging the group, both organically and through the strategic options created by the Delayering Plan, as discussed under "*—The TIM Group's Strategy—Delayering Plan*." The TIM Group's management has also enacted the Transformation Plan (as defined below) with ambitious cost-cutting targets, and for the year ended December 31, 2023, management has achieved approximately €800 million of savings. See "*—The TIM Group's Strategy—Transformation Plan*" for more details.

The TIM Group's Strategy

The TIM Group's strategy embeds two distinctive features, the Delayering Plan and the Transformation Plan (as defined below), as further described below.

Delayering Plan

The Implementation of the Delayering Plan

On March 3, 2022, the TIM Group conceptually approved a plan to reorganize its business segments with the aim of separating its national fixed-line access network infrastructural assets and shifting from its existing business model to a new more horizontal structure encompassing four business areas, one of which, TIM Brasil, would be dedicated to the Brazilian market. The remaining three areas would be: TIM Enterprise, TIM Consumer and a business area comprising also certain network assets, including the entire mobile network, the national backbone and data centers (the "**Delayering Plan**"). On July 6, 2022, the board of directors of TIM (the "**Board**") approved the Delayering Plan (the "**2022-2024 Industrial Plan**"). On February 14, 2023, and on March 6, 2024 the Board approved the continuation of the Delayering Plan for the periods 2023-2025 (the "**2023-2025 Industrial Plan**") and 2024-2026 (the "**2024-2026 Industrial Plan**"), respectively.

The purpose of the Delayering Plan is both "industrial," which translates into unlocking growth and achieving better operational results and "financial," with a specific attention to efficiencies and funding the investments that will increase the value in the medium to long term, the valorization of long-term assets and debt sustainability. To pursue these objectives, the TIM Group seeks to substantially reduce its net leverage and achieve a long-term sustainable capital structure. The TIM Group's strategy to achieve such goals includes utilizing of cash proceeds from corporate transactions and engaging in deleveraging activities, such as the one contemplated in this Exchange Offer Memorandum. Accordingly, on November 6, 2023, the Board entered into the Transaction Agreement to give effect to the Transactions. See "*—The Transactions*."

In addition, the TIM Group maintains a high degree of flexibility to explore additional cash-in options in order to maximize value for the TIM Group and its stakeholders and believes that it is well equipped to navigate the challenging and volatile market conditions.

The implementation of the Delayering Plan is expected to facilitate each of the new business areas pursuing their own focused strategy

The TIM Group operates in a highly regulated and competitive market. See "*TIM Group Regulation*" and "*TIM Group Industry Overview*" for further information. In particular, the new TIM Consumer, TIM Enterprise and the existing TIM Brasil business area will operate in distinct markets, responding to different competitive dynamics and business trends with tailored strategies. The Delayering Plan is set to facilitate the business reorganization of the TIM Group around such new business areas and the implementation of their focused strategies. Accordingly, such organizational refocusing will allow management to operate on clear and business-specific KPIs to measure success in order to facilitate efficient management and improved capital allocation, in order to shorten the path to yet a more satisfying cash generation.

In particular, the TIM Consumer business area, is expected to follow a more focused path with a goal of increasing the perception of a premium and highly reliable telecommunications operator, seeking to benefit from pricing flexibility and planning to be ready for in-market consolidation opportunities. On the other hand, the TIM Enterprise business area is expected to drive the TIM Group's innovation path, intended to confirm it as a unique integrated ICT provider. The TIM Group, through its TIM Enterprise business area, aims to cater to blue-chip companies and the Italian public sector by offering bespoke B2B solutions and proprietary products.

Although not directly impacted by the Italian delayering strategy, activities in Brazil will continue to leverage the additional infrastructure and spectrum obtained through the Oi acquisition, together with the opportunity to exchange 4G into 5G investments and to accelerate the migration from FTTC to FTTH to drive network quality. Through the Oi acquisition, the TIM Group has improved scale, new revenue generation opportunities, higher efficiency mainly due to additional spectrum and opportunities to capture value from infrastructure overlap.

The Delayering Plan is expected to bring regulatory relief

Following the successful completion of the Transactions, the TIM Group expects to benefit from an easing of its current regulatory obligations. AGCOM is expected to classify NetCo as a wholesale-only operator. However, it is uncertain whether such favorable decision will be adopted by AGCOM. Such a classification, if given, will result in improvements to the regulatory environment for the TIM Group in the Italian market, enabling it to compete on a level playing field with other market participants under applicable competition laws.

In particular, the TIM Group expects that, as a result of the Transactions, its current obligations to offer retail access prices replicable by competitors and to submit new retail offers to AGCOM for prior approval will no longer apply to the TIM Group's future retail offers, thereby allowing it to shape commercial offering on more competitive terms. For additional information, please see "*TIM Group Regulation*." Therefore, the TIM Group believes it is strategically positioned to leverage this prospective regulatory change and to implement its pricing strategies with greater autonomy. Moreover, the discontinuation of AGCOM's *ex ante* approval process is expected to boost the TIM Group's ability to quickly adapt to market demands, leading to a more rapid introduction of new services and promotional activities, effectively enhancing its time to market.

The implementation of the Delayering Plan is expected to bring competitive efficiencies

Following the completion of the Transactions, the TIM Group will transition to a smarter asset model, maintaining direct ownership and control over key infrastructure such as, among others, its mobile network, data centers and IP backbone, while providing fixed-line services to retail customers through wholesale access services from NetCo. Such smart asset model is expected to provide the TIM Group with a strategic flexibility while maintaining access to the required infrastructural asset base.

In the mobile retail market, the TIM Group's key strategic assets (such as, among others, the IP backbone, transport and spectrum coverage), are expected to serve as a significant competitive edge over its main competitors. These assets are fundamental for scaling up 5G services. The IP backbone, in particular, is a critical competitive asset for maintaining performance next-generation mobile network that integrates edge computing and cloud technologies. Additionally, the TIM Group's superior spectrum holdings are key to deliver high-quality service. The synergy of

these assets positions the TIM Group to effectively pursue strategies aimed at enhancing the value of its customer base.

In the fixed retail market, the TIM Group's activities in fixed-line services are expected to be sustained through the strategic divestment of those assets concerning its fixed-line network which are contemplated by the Transactions. This maneuver is complemented by a contractual arrangement with NetCo (i.e. the Master Services Agreement), a draft of which is attached to the Transactions Agreement and will be signed on the Acquisition Closing Date.

In particular, the TIM Group will provide, among others, the following services to NetCo pursuant to the Master Services Agreement: (i) mobile telecommunication services, (ii) hosting arrangements within TIM Group's data centers, (iii) access to the corporate network, (iv) the provisions of IT "business support systems" supporting NetCo's employees activities and (v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs. On the other hand, NetCo will provide, among others, the following services to the TIM Group: (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers, (ii) premium connectivity services such as point-to-point fiber optic connectivity, (iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end customers, (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo, (v) energy supply and procurement services (which will be specifically provided by Telenergia) and (vi) other minor services. Accordingly, following the Transactions, the TIM Group is expected to benefit from, among other things, the extended duration of the Master Services Agreement. For further information regarding the Master Services Agreement, please see "*—The Transactions—Master Services Agreement*."

As part of the Delayering Plan, the Transactions will allow the TIM Group to significantly delever

Following the successful completion of the Transactions, the TIM Group is expected to significantly delever. The strategic asset dispositions alongside the successful completion of the Exchange Offers, both as contemplated by the Transactions, are expected to contribute substantially to the reduction in the net leverage of the TIM Group, setting the stage for a new phase of debt sustainability. After giving *pro forma* effect to the Transactions, the TIM Group's Adjusted Net Financial Debt-AL would have decreased by €13,768 million to €6,581 million.

The TIM Group's Adjusted Net Financial Debt-AL and Ratio Adjusted Net Financial Debt-AL to Organic EBITDA-AL were €20.3 billion and approximately 3.8x for the year ended December 31, 2023, respectively.

The TIM Group believes that following the Transactions it will benefit from increased financial flexibility and be able to align its net leverage ratio with best-in-class peers, thereby enhancing its competitive position.

See "*Presentation of Financial and Other Information—TIM Audited Consolidated Financial Statements*" and "*Risk Factors—Risks Related to The TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*."

The implementation of the Delayering Plan is expected to allow the TIM Group to have strategic flexibility

The successful implementation of the Delayering Plan is expected to grant the TIM Group enhanced strategic flexibility, enabling it to swiftly pursue growth initiatives, both organic and inorganic, within its new organizational model, including, for example, inorganic growth in ICT services to enterprises in the areas of cybersecurity and artificial intelligence. This strategic adaptability is expected to empower the TIM Group to capitalize on emerging market opportunities, streamline operations and foster innovation across its new and reshaped business. By reorganizing its structure, the TIM Group aims to position itself to respond more effectively to the dynamic telecommunications landscape, drive efficiency and optimize its asset portfolio to support sustained growth and value creation.

The new business areas set forth under the Delayering Plan: TIM Enterprise, TIM Consumer and TIM Brasil

For the year ended December 31, 2023, after giving *pro forma* effect to the Transactions, TIM Consumer business area, TIM Enterprise business area, Sparkle and TIM Brasil would have generated €6.2 billion, €3.4 billion, €1.0 billion and €4.4 billion in revenue respectively. These figures consider the effects of Master Services Agreement and Transitional Services Agreement as well as intercompany agreements between TIM Consumer, TIM Enterprise and Sparkle, amounting €0.4 billion between TIM Consumer and TIM Enterprise and €0.2 billion between Sparkle and other domestic entities within the TIM Group. For the same period, after giving *pro forma* effect to the Transactions, TIM Consumer business area, TIM Enterprise business area, Sparkle and TIM Brasil would have generated €1.1 billion, €0.7 billion, €0.1 billion and €1.6 billion of Organic EBITDA-AL and would have incurred in €1.0 billion, €0.3 billion, €0.1 billion and €0.8 billion of Capital Expenditures, respectively.

However, in the TIM Audited Consolidated Financial Statements and in this Exchange Offer Memorandum, the TIM Group presents its financial and operating information per the business units and segments in the manner described under "*—TIM Group Business Units.*" See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group—Operating Segments*" for more details. As such, in this Exchange Offer Memorandum, the TIM Group does not present its business in terms of the new organizational model.

TIM Enterprise

The TIM Enterprise business area will be the only full ICT provider in the domestic market capable of providing fixed and mobile connectivity, cloud, cyber security and IoT solution swill benefit from a strong position in the Italian IT services market for large enterprise and uniquely positioned in the public administration segment, providing the following end-to-end ICT offerings:

- *Managed and professional services*: This will include change assessment, cloud migration and cost optimization, and running deployment, systems and application management, full outsourcing, managed audit and billing and managed security and governance.
- *Solutions*: This will include cloud solutions for modern workplace, customer experience, modern and enterprise applications, digital marketplaces and trusted services. It will also include security solutions for cybersecurity and cyber risk management and crypto. Additionally, it will also provide IoT solutions.
- *Cloud infrastructure*: This will include TIM Cloud, Google Cloud, Edge Cloud and other third-party clouds.
- *Data center and Edge*: This will include data center offerings as well as TIM Edge.
- *Network:* This will include providing traditional voice and VoIP, xDSL and fiber, software defined network offerings in the fixed line retail market and providing 2G, 4G, 5G, human and M2M, device and technical assistance offering, and 5G private network offerings in the mobile market.

The TIM Enterprise business area will be one of the leading ICT providers for large enterprises, employing 5,300 people with over 2,000 different types of certifications, of which over 1,500 employed in pre-sales, sales and post-sales. Moreover, the TIM Enterprise business area will hold a leading market share in connectivity services for the large enterprise market (i.e. services needed to provide connections, or unique, active service access points, to the network). This includes voice services and data services as well as M2M network access and human access. A single subscriber may operate several different connections and multiple connections may be associated with one subscriber or one device.

The TIM Enterprise business area will also benefit from its market share in IT services (i.e. application of business and technical expertise to enable organizations to create, manage and optimize, or access, information and business processes held by the TIM Group). The IT services market can be segmented by the type of skills that are employed to deliver the service, such as the design, building, and operation of services.

The TIM Enterprise business area will also be a leader and will have a leading position in the provision of services for public administration, with approximately 25,000 clients.

The IT service market is characterized by a relatively high compound market share captured by many local players, mainly due to cultural and local commercial complexities, such as language, local regulatory and privacy constraints in most industries (including banking, energy and healthcare), the importance of local relationships and proximity to customers. The TIM Enterprise business area will be one of the largest local players in this highly fragmented market, in which scale increasingly matters, and the TIM Group is able to capitalize on its position as a leading ICT provider to large customers and the public administration segment due to the trust that it has built with, and its proximity to, such customers and its ability to offer converged end-to-end solutions. The TIM Group believes that due to a trend among its customers to reduce operational complexity, compounded by increasing internal ICT skills shortages, by consolidating key partners for telecommunication and data services, cloud, IoT and security, a natural convergence will occur. Accelerated by NRRP, the growth in IT services spend is also driven by the increasingly mission-critical nature of IT services in business operations which the TIM Group 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.

The TIM Enterprise business area will have clear and distinctive competitive advantages to gain from expected market momentum, including: (i) an unmatched offering in the Italian market, (ii) an owned mobile core network, (iii) 16 directly owned data centers, of which seven were “top tier,” as of December 31, 2023 and (iv) opportunities to develop dedicated customer infrastructure.

The unique combination of (i) deep, established customer relationships (in the case of the TIM Group’s top 10 clients of more than 20 years, as of December 31, 2023), with an average contract duration of approximately three years, (ii) an unparalleled asset base with 16 proprietary data centers, (iii) a proprietary backbone in strategic areas with a dedicated assets and access to a broader network, (iv) a customer base exceeding 33,000 clients and (v) strategic partnerships with leading technology providers such as Google, Oracle, Microsoft, Fortninet, Cisco and VMWare makes the TIM Enterprise business area the natural reference point for many large enterprises and public bodies that seek to streamline their telecommunication and IT infrastructure, ideally with a single counterparty providing seamless end-to-end services. With core data services increasingly integrated with cloud, IoT and security solutions, the TIM Group believes that this convergence can only continue. The TIM Enterprise business area is uniquely positioned to capitalize on this opportunity.

As part of establishing the TIM Enterprise as its own business area, the TIM Group’s management is developing an integrated go-to-market approach between the historically and separately managed brands of the TIM Enterprise business area, including 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 TIM Group’s primary focus is on the continuing acquisition of scale, focusing on proprietary products and a public administration cloud strategy, personnel reskilling in light of an expanding offering, phasing-out one off restructuring costs and expanding its data centers footprint for improved offerings.

The TIM Enterprise business area is expected to benefit from sustainable growth, underpinned by a further expansion in the ICT market, the optimization of key assets, ensuring more efficient operations and a shift in its operating model, aiming to insource certain external capabilities. In particular, the key features of TIM Enterprise business area’s operating model are expected to be as follows:

- centralized corporate sales and account management involving a single point of contact to engage with customers in order to better identify needs and explore opportunities;
- integrated marketing and solution development, by industry and top clients;
- specialized pre-sales, with product-focused pre-sales specialists supporting account managers during sales process;

- vertical product management, with product-focused business and technical requirement identification to steer competence center development;
- integrated delivery project management with specialized project management for project delivery coordination;
- vertical delivery specialists with product-focused experts responsible for single product delivery;
- integrated research and development to setup common standards and methodology;
- product-specific competence centers to develop internal IP from product management inputs;
- integrated technical practices for management of key partners' technology solutions;
- integrated managed services for infrastructure;
- vertical application managed services (product-specific); and
- integrated operations and assurance in charge of post-sales services, assurance and maintenance.

The TIM Group believes that these measures will result in (i) higher revenues generated by the activities within the TIM Enterprise business area, including revenues generate by ICT services, (ii) significantly increased cash conversion and (iii) optimized capital expenditures as well as operational costs.

TIM Consumer

The TIM Consumer business area will be the leading fixed and mobile services provider in the consumer and Small and Medium Business retail market in Italy. To support its operations, the TIM Consumer business area will continue to rely on the direct ownership of its mobile infrastructure, data centers and backbone and further equipment and infrastructure components (not included in the NetCo Business) and will utilize fixed-line wholesale access services from NetCo through the bespoke and flexible Master Services Agreement.

The TIM Consumer business area will continue to operate in a competitive environment. In order to address these challenges, the TIM Group's management is implementing a recovery strategy. The main goal of the TIM Group is to transform its TIM Consumer business area into an agile, efficient and commercially flexible premium and highly reliable business with a shift in strategy, from volume to value. The Delayering Plan will enable the TIM Group's management to focus on end-to-end responsibility for the entire business, with full accountability for the implementation of the strategy. The TIM Group also expects that delayering will enable higher commercial flexibility by lifting price-replicability and allowing a level playing field with competitors.

As part of the transformation, the TIM Consumer business area 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, improvised organizational structure and capital expenditure and IT demand optimization. The TIM Consumer business area will continue to focus on striving for sales excellence and data-driven customer value management, providing turn-key ICT solutions for Small and Medium Businesses.

As near-term goal, the TIM Group aims at stabilizing the customer base within its TIM Consumer business area through a turnaround plan. This strategy entails, among other things, reduced churn, with gradual ARPU increases through a "more for more" proposition, a restructuring of its current content strategy and the TIM Vision platform, the optimization and digitalization of the current channel mix and higher FTTH/5G uptake which should provide opportunities for improved pricing and up-selling.

As a long-term objective, following expected market and revenue stabilization, the TIM Group believes that TIM Consumer business area will be able to enhance its performance by expanding beyond connectivity services, thereby broadening its scope from a telecommunication operator to a customer platform business. This strategy involves evaluating new business potentials and defining a go-to market approach. Growth prospects include a more distinct

differentiation of entertainment services alongside a restructuring of its content strategy to prioritize profitability. This strategy will pivot towards a new business model that focuses on distributing content from leading third-party providers like Netflix, Apple TV and Disney+ on a revenue-sharing basis, thereby requiring minimal investment. The TIM Group also plans to enrich its 5G and ICT portfolio and advance its data-driven strategy. Furthermore, the TIM Group plans to broaden its current offering scaling up certain of its existing products and services, including media and insurance services, as well as expanding on new high-value services, including consumer finance, health and education. These initiatives are designed to lay the foundation for sustainable growth, anchored in high-quality service positioning and a compelling digital service offering.

The TIM Group believes that its TIM Consumer business area will have the opportunity to capitalize on its unique asset portfolio and capabilities to increase its organizational efficiency and support its consumer platform strategy and partner attraction. In particular, the TIM Group expects to benefit from: (i) a robust customer base, rooted in longstanding relationships with a significant portion of households and enterprises, complemented by comprehensive subscriber data, (ii) a widespread sales channels capillarity across major Italian cities, efficient call centers and a strong online presence, (iii) a well-established and reputable brand, ranking among the top ten most valuable brands in Italy and the leading among Italian telecommunications operators and (iv) a meticulously structured customer interaction system, ranging from widespread presence throughout Italy to more personalized engagement for specific interactions, such as billing relationships and home access via set-top-box. The strengths of the TIM Consumer business area are expected to underpin continued growth and help maintain its competitive position in the market. These advantages are essential for the unit to respond effectively to evolving consumer needs, leveraging technological advancements and capitalizing on its strong market presence to secure ongoing success and a leading role in the industry.

TIM Brasil

The TIM Brasil business area aims at becoming the next generation telecommunications operator driving the digitalization of Brazil, distinguished by offering superior service and network quality and committed to providing a fully differentiated and reliable suite of services in order to deliver superior and sustainable value to its shareholders. TIM S.A., a 67%-owned listed subsidiary of the TIM Group, is already among the most profitable telecommunications companies in Latin America and leads its peers with a free cash flow yield of approximately 10.3% for the year ended December 31, 2023. TIM Brasil business area will continue to operate in a large, increasingly attractive and growing market, which has benefited from recent consolidation from five to three mobile operators (including TIM S.A.'s integration of part of Oi), a healthy regulatory environment, continuous growth in addressable customer base and the favorable effects after reduction of the Brazilian turnover tax ICMS from 28% to approximately 20%-22% for the years ended December 31, 2022 and 2023, respectively. The TIM Brasil business area is uniquely positioned to become the preferred telecommunications operator in Brazil, offering leading value propositions in markets driven by value. In particular, the TIM Brasil business area has received several recognitions within the industry, including being the first operator to provide 4G connectivity across all 5,570 Brazilian cities and delivering innovative services through strategic partnerships with key industry players. See "*Business of the TIM Group*" and "*TIM Group Industry Overview*"

The TIM Group's strategy for its TIM Brasil business area aims at further strengthening cash flow generation in its core connectivity business, through the deployment of 5G coverage, the migration of FTTC to FTTH technology as well as a prudent capital allocation and expenditures. The strategy is further bolstered by the competitive advantage of operating in a market characterized by fragmentation and the presence of numerous regional players as well potential opportunities in the business-to-business IoT market. 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 the 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.

Transformation Plan

In addition to the Delayering Plan, the TIM Group is also in the process of implementing an ambitious cost-cutting transformation plan (the "**Transformation Plan**") covering TIM Consumer business area and TIM Enterprise business area (collectively, the "**TIM Domestic business area**"). As of December 31, 2023, TIM Domestic business area generated approximately €1.1 billion of total savings, of which approximately €0.7 billion were operating expenditure savings and approximately €0.4 billion were cash cost, respectively. This was achieved mainly through, among other

things: (i) a hourly reduction involving more than 70% employees, (ii) voluntary exits of approximately 0.6 thousand employees, (iii) a company-wide insourcing program, reskilling about 1.1 thousand employees, (iv) energy initiatives, (v) an optimization of approximately 200 thousand square meters premises, (vi) a reduction of approximately 18% year-over-year of human calls in its customer care operations and (vii) a dismantling of approximately 14 thousand public payphones.

Following the targets and objectives achieved between 2022 and 2023 under the Transformation Plan (the "**First Wave**"), the TIM Group is further committed to continuing its transformation journey, setting forth new targets for the 2024-2026 period (the "**Second Wave**").

The Second Wave is founded on two key transformation pillars. Specifically, the TIM Group aims to (i) continue streamlining its cash cost baseline by simplifying and right-sizing cost structures, ensuring clear and full cost accountability and (ii) reassess its processes and operating models across all group companies, with a particular focus on advancing the TIM Group's digital capabilities, processes, and operating models. The TIM Group anticipates that these measures will help mitigate total cash cost increase associated with the expected shift in revenue mix. The TIM Group believes that such strategy will allow it to mitigate the expected cost increases resulting from the expected shift in revenue mix, from higher-margin connectivity services to lower-margin ICT and multimedia services. In particular, the TIM Group is expected to focus on a series of high-impact initiatives:

- *People re-skill and insourcing*: The TIM Group is committed to launching a new company-wide insourcing program aim at internalizing current external activities, leveraging internal skills and capacity. This initiative is expected to enhance market responsiveness, reduce external costs and improve margins.

- *End-to-end Processes*: This initiative focuses on digitalizing and automating critical, human-intensive business processes throughout the TIM Group through the implementation of advanced technologies, such as AI. The goal is to simplify and enhance operations and streamline costs, ultimately accelerating revenue generation.

- *Customer Care*: This initiative aims to reduce human interactions by offering targeted interactions and a wider suite of digital customer care alternative, such as a dedicated mobile app and voicebot. The TIM Group expect to capitalize on the reduction of external costs related to outsourced activities and enhance its customer engagement.

- *Multi-product Sales Channels*: In addition to ongoing channel mix and cost optimization activities, this initiative aims to leverage the TIM Group's existing channels to lower per-unit acquisition costs by offering a broader range of products and services, such as insurance and energy.

- *Mobile Network*: This initiative aims to implement a new data-driven approach which prioritizes sites that offer a higher return on investment and optimize capital expenditures allocation. The TIM Group believes that such initiative will expedite the rollout of the 5G network and close the competitive gap with its competitors.

- *IT*: This initiative aims to enhance productivity by adopting a new operating model that leverages strategic partnerships with key partners.

The assumptions used in estimating total savings, including the components of such estimates and the steps to be taken to realize such savings and the assumptions used in estimating the timing and the expected business and regulatory benefits from as a result of the successful completion of the Transaction and the implementation of the Delayering Plan are forward-looking in nature, inherently uncertain and subject to a variety of business, economic, competitive and legal risks and uncertainties. The TIM Group cannot assure investors that the information on which it has based its assumptions will not change or that it will be able to realize any of the as-yet unrealized cost savings or benefits it believes are possible based on the TIM Group's management estimates and assumptions. Furthermore, the costs that the TIM Group will incur in connection with the Transactions, the Delayering Plan and the Transformation Plan may be substantially higher than currently estimated and may outweigh any benefit. There can be no assurance that the Transactions, the Delayering Plan and the Transformation Plan will be effective or that the savings targets or the expected benefits presented herein will be achieved in whole or in part.

For further information, please see "Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group's business will be adversely affected if the TIM Group is unable to successfully implement its strategic objectives and factors beyond its control may prevent it from successfully implementing its strategy," "Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The separation of NetCo from the TIM Group may be complex, could cause the TIM Group to incur unexpected uncertainties and costs" and "Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—Following the successful completion of the Transactions, any deterioration of the relationship with, or in the financial condition of, NetCo could negatively impact the TIM Group's business, financial condition and results of operations."

Recent Developments

FiberCop Term Loan Waiver

FiberCop is in the process of submitting a waiver request to the agent to obtain the lenders' consent to waive any actual or potential breach of any clause of the FiberCop Term Loan that may arise as a result of the completion of the Acquisition and to undertake not to exercise any rights and remedies they may have under the FiberCop Term Loan on completion of the Acquisition, and waive the provisions in terms of mandatory early redemption under the FiberCop Term Loan that might arise as a result of the completion of the Acquisition, with the effect that the outstanding amounts under the FiberCop Term Loan that may be accelerated by the lenders as a consequence of any such breach will not automatically become due and payable on the closing of the Acquisition, *provided* that FiberCop will repay any such amounts due in full, together with any accrued interest, within 60 days of the Acquisition Closing Date. In the event that the waiver request is not granted, it is understood that Optics will repay the loan promptly in connection with the completion of the Acquisition. Any necessary funds to proceed with such repayment are expected to be made available to FiberCop by Optics on the basis of drawings to be made under the Senior Facilities Agreement and Senior Bridge Facility Agreement. See "*—Optics Financings—Senior Facilities Agreement and Senior Bridge Facility Agreement*"

TIM Term Facility Agreement

On April 4, 2024, TIM signed a term facility agreement with certain lenders party thereto (the "**TIM Term Facility Agreement**"). The TIM Term Facility Agreement provides a Euro term loan facility to TIM as borrower. The total commitment under the TIM Term Facility Agreement is equal in aggregate to €1.5 billion with a maturity of 18 months. The TIM Term Facility Agreement contains certain customary conditions and requires mandatory prepayment upon certain events, including in connection with the consummation of Acquisition. As of the date of this Exchange Offer Memorandum, the TIM Term Facility Agreement has been drawn down for the full amount to refinance short-term indebtedness of the TIM Group.

The Transactions

The NetCo Separation

As a part of its Delayering Plan, and consistent with its deleveraging strategy to achieve a long-term sustainable capital structure, the TIM Group is in the course of completing the separation and sale of certain of its infrastructure assets related to the copper and fiber fixed active and passive network. On February 1, 2023, TIM reported having received from KKR a non-binding offer for the purchase of a newco being established, consisting of certain infrastructure assets of the fixed network, including the assets and business of FiberCop, as well as the holding in TIM Sparkle ("**NewCo**"). Thereafter, on March 5, 2023, TIM reported having received from a consortium consisting of CDP Equity S.p.A. and Macquarie Infrastructure and Real Assets (Europe) Limited, acting on behalf of a group of investment funds managed or assisted by the Macquarie Group (the "**Consortium**"), a non-binding offer for the purchase of NewCo. In order to allow both the Consortium and KKR to submit their best offers in a defined competitive process, TIM's board of directors at its meeting held on March 15, 2023, mandated the Chief Executive Officer, Pietro Labriola, to start a regulated process, sending both offerors, through their advisors, a process letter setting out: (i) the terms that would give them access to additional, specific information, identical for both offerors; and (ii) the ways by which each could submit an improved non-binding offer by April 18, 2023. On April 18, 2023, TIM announced having received two new non-binding offers by the Consortium and KKR and, in its meeting on May 4, 2023, TIM's board of directors analyzed the non-binding offers received and concluded, in light of the readiness expressed by at least one of the

bidders to improve its non-binding offer, to allow the bidders additional time to present revised non-binding offers by June 9, 2023. On June 9, 2023, TIM announced that new non-binding offers were submitted by each of KKR and the Consortium. On June 22, 2023, TIM announced that its board of directors met and examined the new non-binding offers and, after extensive and in-depth discussions, conducted with the assistance of leading financial advisors, TIM's board of directors deemed that the offer submitted by KKR was preferable in terms of executability and timing, and higher pricing than the competing offer submitted by the Consortium. In light of the foregoing, TIM's board of directors unanimously mandated TIM's Chief Executive Officer to initiate, on an exclusive basis, an ameliorative negotiation with KKR, aimed at obtaining the presentation of a conclusive and binding offer according to the best terms and conditions, as well as to agree on the perimeter, methods and timing for the execution of the confirmatory due diligence referred to in KKR's offer. The exclusive negotiation with KKR came to conclusion with the submission, on October 15, 2023, of a binding offer which was then negotiated and approved by TIM's board of directors on November 5, 2023 and the subsequent signing on November 6, 2023 of the transaction agreement by TIM, Optics and Teemo Bidco S.à r.l (the "**Transaction Agreement**").

The Transaction Agreement

Under the Transaction Agreement, the Acquisition is subject to the satisfaction or waiver of three conditions precedent: (i) obtaining a decision (including through the lapse of time limits) under the powers conferred to it by antitrust law including, but not limited to, (i) Articles 101 and 102 of the Treaty on the Functioning of the European Union and equivalent provisions; (ii) Italian Law No 287 of 10 October 1990; (iii) Regulation (EC) No 139/2004 and any applicable merger control rules (the "**Antitrust Law**") by the European Commission, under the powers conferred to it by Antitrust Law approving the Acquisition or confirming that the Acquisition does not require approval (ii) obtaining a decision by the European Commission (including through the lapse of time limits), under the powers conferred to it by Regulation (EU) 2022/2560 of the European Parliament and of the Council of December 14, 2022 on foreign subsidies distorting the internal market (the "**FSR Law**") approving the Acquisition or confirming that the Acquisition does not require approval and (iii) obtaining an authorization, either unconditional or subject to certain conditions agreed upon under the Transaction Agreement by the TIM Group and NetCo, of the Acquisition by the Presidency of the Italian Council of Ministries (*Presidenza del Consiglio dei Ministri*) under the Italian Golden Power Legislation.

On January 16, 2024, TIM and Optics obtained the authorization by the Presidency of the Italian Council of Ministries concerning the Italian Golden Power Legislation subject to certain specific undertakings with reference to, among others, governance, internal organization, planning, compliance, operating permits, security of the networks, continuity of supplies, locations where certain activities can be performed and certain assets can be located, supply chain, intellectual property and information. As of the date of this Exchange Offer Memorandum, TIM has not yet obtained (i) the authorization by the European Commission approving the Acquisition or confirming that the Acquisition does not require approval. and (ii) the authorization from the European Commission, under the powers conferred to it by FSR Law, approving the Acquisition or confirming that the Acquisition does not require approval. See "*Risk Factors—Risks Related to the Transactions—The Acquisition is subject to certain uncertainties and conditions and, as a result, the Acquisition may not be consummated and this may adversely impact the trading in the New Notes and the rating of the Original Notes and New Notes*."

The consideration for the Acquisition will consist of a base price (the "**Base Price**") as calculated in accordance with the Transaction Agreement. The Base Price will be adjusted to reflect, among other things, the results of the Exchange Offers. Additionally, the consideration will be adjusted to reflect debt-like items or actions resulting in the loss of cash or other value from NetCo in accordance with the Transaction Agreement (the Base Price, together with any relevant purchase price adjustment, the "**Purchase Price**").

The Master Services Agreement

Upon the successful completion of the Acquisition, on the Acquisition Closing Date, TIM and NetCo will enter into the Master Services Agreement pursuant to which NetCo will provide or procure certain services to TIM (the "**NetCo Services**") and TIM will provide or procure certain services to NetCo (the "**TIM Services**" and together with the NetCo Services, the "**Services**"). The NetCo Services mainly encompass: (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers, (ii) premium connectivity services such as point-to-point fiber optic connectivity, (iii) network services consisting of

engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end-consumers, (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo, (v) energy supply and procurement services (which will be specifically provided by Telenergia, a company wholly owned by NetCo and licensed to this purpose) and (vi) other minor services. The TIM Services mainly include: (i) mobile telecommunication services, (ii) hosting arrangements within TIM Group's data centers, (iii) access to the corporate network, (iv) the provisions of IT services supporting NetCo's employees activities and (v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs.

Without prejudice to the shorter term applicable to certain Services, the Master Services Agreement has a general duration consisting of a first term of 15 years with a renewal mechanism for an additional term.

According to the MSA, TIM and NetCo shall set up a technical committee (composed of two representatives appointed by each of them) acting as consultancy body with the aim of assessing possible contentions between the parties and overseeing the execution of the Services.

In addition, the MSA includes provisions for penalties should either party fail to meet specified performance parameters, such as KPIs, KPOs, and SLAs.

The Transitional Services Agreement

On the Acquisition Closing Date, TIM and NetCo will enter into a transitional services agreement (the "**Transitional Services Agreement**" or "**TSA**"), which will govern the supply of certain services from TIM to NetCo and from NetCo to TIM for a limited time to help ensure both entities orderly transitions in the context of the separation. The transitional services to be rendered in accordance with the Transitional Services Agreement consist, *inter alia*, of: (i) IT services regarding certain so-called hybrid systems and (ii) cyber-security services.

Under the TSA, a specific procedure will be provided in order for the receiving party to withdraw from the agreement with respect to one or more transitional services in case it becomes independent in respect thereof (either insourcing the service or acquiring the service from a third-party provider) earlier than applicable contractual term.

Optics Financings

Equity and Rollover Equity Contributions

Optics anticipates financing a portion of the Acquisition through cash equity and contributed rollover equity provided by funds, vehicles, and/or accounts managed or advised by KKR, institutional co-investors and the Italian Ministry of Economy and Finance (the "**MEF**") of approximately €10,452 million in aggregate, in exchange for new share capital in Optics HoldCo. These funds will then be pushed down through the acquisition structure to Optics in support of the Acquisition.

Senior Facilities Agreement and Senior Bridge Facility Agreement

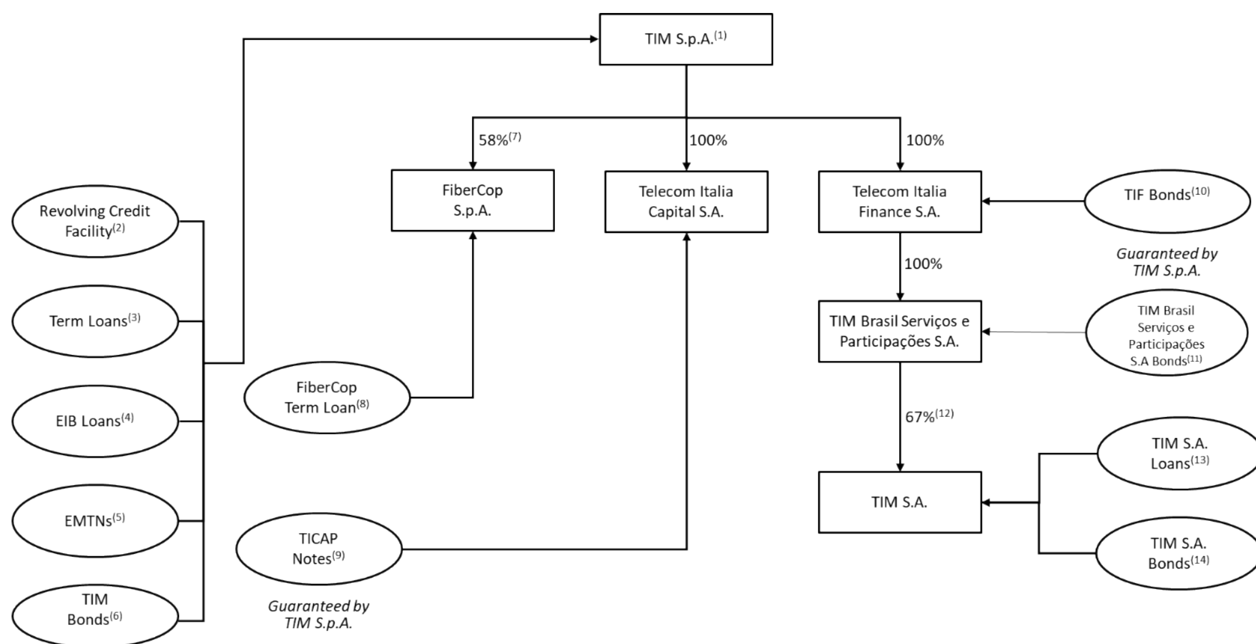
On December 19, 2023, Optics entered into the Senior Facilities Agreement and the Senior Bridge Facility Agreement and on April 8, 2024 Optics entered into amendment and restatement agreements with respect to both facilities. The Senior Facilities Agreement provides a euro term loan facility (the "**TLB**") and a revolving facility (the "**RCF**") to Optics as borrower and original guarantor. The Senior Bridge Facility Agreement provides a euro term loan facility (the "**Bridge**") to Optics as borrower and original guarantor. As of the date of this Exchange Offer Memorandum, the total commitments under the TLB and the Bridge are €4.0 billion and €4.5 billion, respectively (see "*Description of Certain Other Financing Arrangements of the Optics Group—Senior Facilities Agreement and Bridge Facility Agreement*"), and the total commitments under the RCF are €2.0 billion.

Assuming that a principal amount of between €4.5 billion and €5.0 billion equivalent (the Total Cap amount) of Original Notes are accepted as part of the Initial Exchange with the New Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of

the USD New Notes ($431 million), respectively (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023), Optics currently expects to (i) finance a portion of the Acquisition with a drawdown of between €3.5 billion and €4.0 billion under the TLB (dependent on the principal amount of New Notes issued pursuant to the Acquisition Exchange) and (ii) cancel (subject to lender cancellation opt-out provisions) the Senior Bridge Facility Agreement in full. In the event that less than €4.5 billion equivalent principal amount of Original Notes are accepted as part of the Initial Exchange, Optics currently intends to draw amounts under the Bridge Facility Agreement for each incremental euro or US dollar below €4.5 billion equivalent principal amount of New Notes issued pursuant to the Acquisition Exchange which is required to complete the Acquisition. See "*Description of Certain Other Financing Arrangements of the Optics Group*."

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS OF THE TIM GROUP AS OF DECEMBER 31, 2023

The following diagram summarizes the TIM Group's expected corporate and principal financing structure without giving effect to the Transactions as of December 31, 2023. The diagram does not include all entities in the TIM Group, nor all of the debt obligations thereof. The following diagram is provided for indicative and illustration purposes only and should be read in conjunction with the information contained elsewhere in this Exchange Offer Memorandum, including "*Capitalization of the TIM Group,*" "*Description of Certain Other Financing Arrangements of the TIM Group.*"



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(1) As of December 31, 2023, Vivendi and Cassa Depositi e Prestiti S.p.A. directly or indirectly hold 23.75% and 9.81%, respectively, of the outstanding share capital of TIM, with the remaining shares held by certain minority investors. See "*Principal Shareholders of the TIM Group*." The shares of TIM are listed on the *Borsa Italiana* (Milan stock exchange). TIM is a joint stock company (*società per azioni)* and, together with its subsidiaries, is engaged in providing telecommunication services and equipment primarily in the Italian and Brazilian markets.

(2) The Revolving Credit Facility provides for total commitments in an aggregate principal amount of €4,000 million, and, as of December 31, 2023, was fully undrawn. The obligations of TIM, as borrower, under the Revolving Credit Facility are unsecured and do not benefit from guarantees. See "*Description of Certain Other Financing Arrangements of the TIM Group—Revolving Credit Facility*" for more details.

(3) As of December 31, 2023, the aggregate principal amount of outstanding Terms Loans was €2,700 million, which does not reflect (i) the repayment of the Intesa Sanpaolo Loan Agreement of €500 million on March 25, 2024 and (ii) the drawdown under the TIM Term Facility Agreement of €1.5 billion on April 10, 2024. The obligations of TIM, as borrower, under the Term Loan Agreement are unsecured. See "*Description of Certain Other Financing Arrangements of the TIM Group—Term Loans*" for more details.

(4) As of December 31, 2023, the aggregate principal amount outstanding under the EIB Loans was €1,060 million. The obligations of TIM, as borrower, under the 2019 EIB Loan, 2021 Incremental EIB Loan and 2021 EIB Loan are partially secured. The 2023 EIB Loan is backed by a 60% SACE Guarantee and is unsecured. See "*Description of Certain Other Financing Arrangements of the TIM Group—EIB Loans*" for more details. The EIB Loans include a provision based on which in the event of the disposal of the entire fixed network or a substantial part of it (in any case, more than half in quantitative terms) to third parties not controlled by the TIM Group, 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 has undertaken to immediately notify EIB, which, following consultations with TIM, may then opt to demand additional guarantees or amendments to the EIB Loans or to agree to an alternative solution. If such requests are not satisfied within 30 days, EIB has the right to cancel the commitments and/or request the immediate repayment of all outstanding loans.

(5) As of December 31, 2023, the principal amount outstanding under TIM's EMTN Programme was €8,070 million, which does not reflect (i) the repayment at maturity of €450 million aggregate principal amount of the 2024 3.625% Euro Notes on January 19, 2024 and (ii) the repayment at maturity of €950 million aggregate principal amount of the 2024 4% Euro Notes on April 11, 2024. The EMTNs (i) are general unsecured obligations of TIM, (ii) rank *pari passu* in right of payment to any existing and future senior indebtedness of TIM, including the TIM Notes; (iii) are senior in right of payment to all future subordinated indebtedness of TIM; (iv) are effectively subordinated to all existing

and future secured indebtedness of TIM to the extent of the value of the assets securing such indebtedness; and (v) are structurally subordinated to all existing and future indebtedness and other claims and liabilities, including preferred stock, of subsidiaries of TIM. See "*Description of Certain Other Financing Arrangements of the TIM Group—EMTN Programme*" for more details.

(6) As of December 31, 2023, the principal amount outstanding of the notes issued by TIM was €2,750 million. The outstanding notes issued by TIM (i) are general unsecured obligations of TIM; (ii) rank *pari passu* in right of payment to any existing and future with all existing and future senior indebtedness of TIM; (iii) are senior in right of payment to all future subordinated indebtedness of TIM; (iv) are effectively subordinated to all existing and future secured indebtedness of TIM to the extent of the value of the assets securing such indebtedness; and (v) are structurally subordinated to all existing and future indebtedness and other claims and liabilities, including preferred stock, of subsidiaries of the Issuer. See "*Description of Certain Other Financing Arrangements of the TIM Group—TIM Bonds—Existing Notes*" for more details. The conditions of the EUR Original February 2028 Notes and EUR Original July 2028 Notes contain provisions relating to certain events constituting a "Network Event" in relation to TIM. Should a "Network Event" occur, each holder of EUR Original February 2028 and the EUR Original July 2028 Notes will be entitled to require TIM to redeem (or, at TIM's option, to purchase) the EUR Original February 2028 and EUR Original July 2028 Notes held by it (in whole but not in part) at 101% of their principal amount together with interest accrued to (but excluding) the date of redemption. However, under the conditions of the EUR Original February 2028 Notes and EUR Original July 2028 Notes, such "Network Event" will only be triggered if, pro forma for the expected transaction, the "Consolidated Net Leverage Ratio" of the TIM Group exceeds 3.00 to 1.00. As of the date of this Exchange Offer Memorandum, TIM does not expect that, after the Acquisition is consummated and based on current results, the "Network Event" provisions under the EUR Original February 2028 Notes and EUR Original July 2028 Notes will be triggered. See "*Risk Factors—Risks Relating to the Non-Exchanging Holders of the Original Notes—TIM may not be able to obtain the funds required to repurchase or redeem the EUR Original February 2028 or EUR Original July 2028 Notes or certain other outstanding indebtedness upon a Change of Control or a Network Event (each as defined in the conditions of such series of EUR TIM Original Notes) or otherwise in connection with the closing of the Acquisition*."

(7) In 2021, Teemo Bidco S.à r.l., an indirect subsidiary of KKR Global Infrastructure Investors III L.P., acquired 37.5% of Fibercop and Fastweb S.p.A. subscribed to 4.5% of Fibercop. Fastweb currently owns a 4.5% stake in FiberCop. Subject to the outcome of current negotiations among the parties, Optics may acquire Fastweb's stake in NetCo or Fastweb may remain a minority shareholder in NetCo following the Acquisition. If Fastweb continues to be a shareholder of NetCo following the Acquisition, the minority stake of Fastweb is expected to be diluted in connection with the consummation of the Acquisition. To the extent Fastweb remains a shareholder in NetCo following the Transactions, it is not expected to pledge the stake it owns in NetCo, including after the occurrence of the Push-Down Merger.

(8) As of December 31, 2023, the FiberCop Term Loan is fully drawn in an aggregate principal amount of €1,500 million. See "*Description of Certain Other Financing Arrangements of the TIM Group—FiberCop Term Loan*" and "*Summary—Recent Developments*" for more details.

(9) Telecom Italia Capital, a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg, having its registered office in 12 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés de Luxembourg)* under number B77970. As of December 31, 2023, the principal amount outstanding TICAP Notes was $4,000 million. The TICAP Notes are senior unsecured obligations of TICAP and are guaranteed on a senior basis by TIM. See "*Description of Certain Other Financing Arrangements of the TIM Group—TICAP Bonds*" for more details.

(10) Telecom Italia Finance, a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg, having its registered office in 12 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés de Luxembourg)* under number B76448. As of December 31, 2023, the principal amount outstanding TIF Bonds was €1,015 million. The TIF Bonds are senior unsecured obligations of TIF and are guaranteed on a senior basis by TIM. See "*Description of Certain Other Financing Arrangements of the TIM Group—TIF Bonds*" for more details.

(11) As of December 31, 2023, the principal amount outstanding TIM Brasil Serviços e Participações S.A Bond was BRL 5,000 million. The TIM Brasil Serviços e Participações S.A Bond are non-convertible and unsubordinated. See "*Description of Certain Other Financing Arrangements of the TIM Group—TICAP Bonds*" for more details.

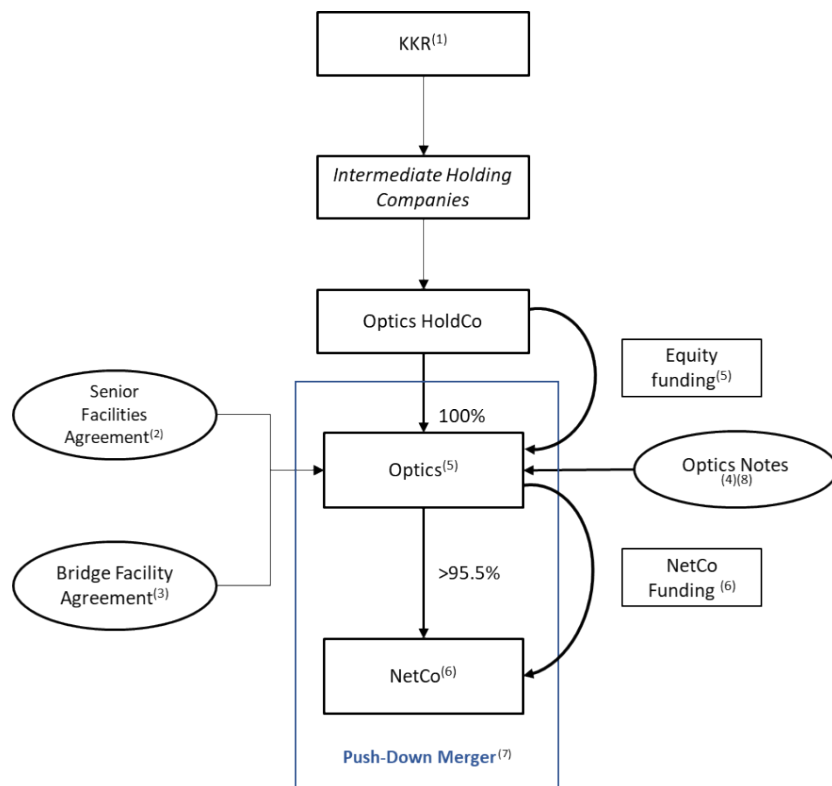
(12) The common shares of TIM S.A. are listed on the *Novo Mercado* segment of the B3 (Brazil stock exchange) and its American Depositary Shares are listed on the New York Stock Exchange.

(13) As of December 31, 2023, the outstanding amount under the TIM S.A. Loans BRL 1,912 million. See "*Description of Certain Other Financing Arrangements of the TIM Group—TIM S.A. Loans*" for more details.

(14) As of December 31, 2023, the outstanding amount under the TIM S.A. notes was BRL 1,600 million. The TIM S.A. Notes are senior unsecured obligations of TIM S.A. and are guaranteed on a senior basis by the Issuer See "*Description of Certain Other Financing Arrangements of the TIM Group—TIM S.A. Bonds*" for more details.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS OF THE OPTICS GROUP PRO FORMA FOR THE TRANSACTIONS AS OF DECEMBER 31, 2023

The following diagram summarizes the Optics Group expected corporate and principal financing structure after giving effect to the Transactions (assuming the Initial Exchange is subscribed at the Total Cap amount, with the Optics Notes split with equal principal amounts across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes ($431 million), based on an exchange rate of $1.105 per €1.000 as of December 31, 2023). The diagram does not include all the debt obligations of the Optics Group and does not include all the subsidiaries of Optics Holdco S.r.l. The following diagram is provided for indicative and illustration purposes only and should be read in conjunction with the information contained elsewhere in this Exchange Offer Memorandum, including "*Capitalization of NetCo and Optics*," "*Description of Certain Other Financing Arrangements of the Optics Group*."



(1) Upon the consummation of the Acquisition, funds managed and/or advised by KKR will indirectly exercise sole control over NetCo through a wholly owned subsidiary, expected to be EBLco. On or after the Acquisition Closing Date, it is expected that Azure Vista C 2020 S.à r.l. ("Azure Vista") an investment vehicle indirectly wholly-owned by the Abu Dhabi Investment Authority, 13545369 Canada Inc., an investment vehicle formed by the Canada Pension Plan Investment Board ("CPPIB"), F2i (Fondi Italiani per le Infrastrutture) SGR S.p.A. ("F2i") and the MEF will invest for a stake of up to approximately 17.5%, 17.5%, 11% and 16% of Optics HoldCo, respectively. The final stakes of their respective investments will depend on the actual equity capital needed at completion of the Transactions.

(2) The Senior Facilities Agreement provides for aggregate borrowings of up to €4,000,000,000, maturing five years following initial utilization. See "Description of Certain Financing Arrangements of the Optics Group— Senior Facilities Agreement and Bridge Facility Agreement— Senior Facilities Agreement."

(3) The Senior Bridge Facility Agreement provide for aggregate borrowings of up to €4,500,000,000, maturing two years following initial utilization. See "Description of Certain Financing Arrangements of the Optics Group—Senior Facilities Agreement and Bridge Facility Agreement—Bridge Facility Agreement."

(4) The Optics Notes will be general, senior secured obligations of Optics, will rank senior in right of payment to all of Optics' future debt that is expressly subordinated in right of payment to the Optics Notes and will rank pari passu in right of payment with Optics' existing and future debt that is not so subordinated. On the Optics Notes Issue Date, the Optics Notes will be secured, subject to certain perfection requirements, by the Optics Notes Issue Date Collateral. Within 60 days after the Acquisition Closing Date if the Push-Down Merger has not occurred, the Optics Notes will be secured, subject to certain agreed security principles, certain material limitations under applicable laws and certain perfection requirements, by the Optics Notes Post-Issue Collateral. Upon completion of the Push-Down Merger, NetCo will no longer be a

separate legal entity and any Funding Loan and security interests over Optics' receivables in respect of any such Funding Loan will automatically cease to exist and, to the extent that NetCo is the successor company of the Push-Down Merger, the security interests over the share capital of Optics will be extinguished by operation of law and the USD Optics Notes will instead be secured by the pledge on the shares held by Optics in NetCo as entity resulting from the Push-Down Merger. In the event that the Push-Down Merger cannot be effected with the security interests over the shares in NetCo and/or intercompany loans made available by Optics HoldCo to Optics remaining in place, such security interests shall be released in order to effect the Push-Down Merger and Optics HoldCo shall, within 20 Business Days following the Push-Down Merger, enter into the Optics Notes Replacement Collateral. The Optics Notes Collateral may be subject to release under certain circumstances. For further information, see "Description of the USD Optics Notes—Security."

(5) The Acquisition is expected to be financed with (a) equity and rollover equity contributions to be provided by funds, vehicles and/or accounts managed or advised by KKR, institutional co-investors and the MEF of approximately €10,452 million in aggregate and (b) assuming that a principal amount of between €4.5 billion and €5.0 billion equivalent (the Total Cap amount) of Original Notes are accepted as part of the Initial Exchange with the New Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes ($431 million) (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023), a drawdown of between €3.5 billion and €4.0 billion under the TLB (dependent on the principal amount of Optics Notes issued pursuant to the Acquisition Exchange). In the event that less than €4.5 billion equivalent principal amount of Original Notes are accepted as part of the Initial Exchange, Optics currently intends to draw amounts under the Bridge Facility Agreement for each incremental euro or US dollar below €4.5 billion equivalent principal amount of New Notes issued pursuant to the Acquisition Exchange which is required to complete the Acquisition.

(6) In 2021, Teemo Bidco S.à r.l., an indirect subsidiary of KKR Global Infrastructure Investors III L.P., acquired 37.5% of Fibercop and Fastweb S.p.A. subscribed to 4.5% of Fibercop. Fastweb currently owns a 4.5% stake in FiberCop. Subject to the outcome of current negotiations among the parties, Optics may acquire Fastweb's stake in NetCo or Fastweb may remain a minority shareholder in NetCo following the Acquisition. If Fastweb continues to be a shareholder of NetCo following the Acquisition, the minority stake of Fastweb is expected to be diluted in connection with the consummation of the Acquisition. The €1,500,000,000 facilities agreement entered into on December 23, 2021 between NetCo, as borrower, and certain lenders set out therein (the "**FiberCop Term Loan**") is expected to be repaid on or about the Acquisition Closing Date. The Senior Facilities Agreement and the Senior Bridge Facility Agreement include an undertaking for Optics to procure the repayment of the FiberCop Term Loan within 60 days of completion of the Acquisition. See "*Description of Certain Financing Arrangements of the Optics Group*," and "*—Recent Developments—FiberCop Term Loan Waiver*." The repayment of (i) the FiberCop Term Loan and (ii) any amount outstanding under the existing intercompany loan originally granted on March 31, 2021 by TIM to NetCo (the "**FiberCop Intercompany Loan**"), will be carried out by means of either (x) an intercompany loan to be granted from Optics to NetCo Agreement (the "**Funding Loan**") and/or (y) an equity contribution made by Optics to NetCo in exchange for newly issued shares in NetCo (collectively, the "**NetCo Funding**"), in each case of (x) and (y) above applying a portion of the proceeds of the Senior Facilities Agreement and the Senior Bridge Facility (if applicable).

(7) Optics is a holding company incorporated under the laws of Italy as a joint stock company (*società per azioni*). Optics is currently not expected to engage in any activities other than those related to the Transactions, the management of NetCo following the Acquisition and any other future potential transactions. Following the Acquisition Closing Date, Optics intends to use commercially reasonable endeavours, subject to any relevant approval and/or authorization by any competent authority, to merge Optics with NetCo in accordance with applicable provisions of Italian law and as further described herein, with NetCo being the incorporating entity; the Push-Down Merger is expected to be approved during the six months following the Acquisition Closing Date. See "*Description of the USD Optics Notes—Push-Down Merger.*" The Push-Down Merger will be subject to certain conditions and requirements and may not be completed. See "*Risk Factors—Risks Relating to the Optics Notes—Optics may be unable to complete the Push-Down Merger within the anticipated time-frame, or at all*."

(8) On the Optics Notes Issue Date, the Optics Notes will not be guaranteed. Optics shall procure that, subject to certain agreed security principles and certain material limitations pursuant to applicable laws, NetCo guarantees the Optics Notes within 60 days after the Acquisition Closing Date if the Push-Down Merger has not occurred. See "*Risk Factors—Risks Relating to the Optics Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the guarantee may adversely affect the validity and enforceability of the NetCo Guarantee*." Upon completion of the Push-Down Merger, Optics will be incorporated into NetCo and therefore cease to exist and NetCo will become the surviving issuer of the Optics Notes and, if granted, the NetCo Guarantee will be extinguished by operation of law. See "*Description of the USD Optics Notes—Guarantee*." The NetCo Guarantee will be subject to certain material contractual and legal limitations. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations,*" "*Risk Factors—Risks Relating to the Optics Notes—Once granted, the guarantees, including the NetCo Guarantee, and the Optics Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*." The guarantee of NetCo will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of Certain Financing Arrangements of the Optics Group—Intercreditor Agreement*" and "*Description of the USD Optics Notes—Guarantee.*"

SUMMARY OF THE EUR TIF NEW NOTES

The summary below describes the principal terms of the EUR TIF New Notes offered hereby. It may not contain all the information that is important to you. Certain of the terms and conditions described below are subject to important limitations and exceptions. Defined terms used in this summary, but not defined herein, have the meanings set forth in the "Terms and Conditions of the EUR TIF New Notes." Please refer to the "Terms and Conditions of the EUR TIF New Notes" section in this Exchange Offer Memorandum.

Issuer	Telecom Italia Finance, a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg, having its registered office in 12 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés*) under number B76448 ("**TIF**")
Guarantor	Telecom Italia S.p.A. ("**TIM**" or the "**TIM Guarantor**")
Notes Offered	7.750% Guaranteed Notes due January 24, 2033 issued in exchange for the EUR TIF Original Notes tendered and accepted by the Issuer (the "**EUR TIF New Notes**")
Issue Date	Delivery of the EUR TIF New Notes will occur on the settlement date of the EUR TIF Initial Exchange (the "**EUR TIF New Notes Issue Date**")
Maturity Date	January 24, 2033
Interest	7.750%
Interest Payment Dates	January 24 in each year
Consideration	€1,000 in principal amount of EUR TIF New Notes per €1,000 in principal amount of EUR TIF Original Notes
Status of the EUR TIF New Notes	The EUR TIF New Notes constitute unconditional, unsecured and unsubordinated obligations of TIF which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of TIF, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application
Status of the Guarantee of the EUR TIF New Notes	The Guarantee of the EUR TIF New Notes constitutes direct, general and unconditional obligations of TIM Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of TIM Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application
The Guarantee of the EUR TIF New Notes	TIM has unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by TIF in respect of the EUR TIF New Notes pursuant to the EUR TIF New Notes Deed of Guarantee (the "**Guarantee**")
EUR TIF Mandatory Acquisition Exchange	If, on or before the Longstop Date, the Acquisition is, or will be, consummated, then upon no less than five business days prior notice by TIF to the New Notes Agent, Optics and the holders of the EUR TIF

	New Notes, on the Acquisition Closing Date, the EUR TIF New Notes will be mandatorily exchanged (the "**EUR TIF Mandatory Acquisition Exchange**") for an equal aggregate principal amount of EUR Optics (TIF) Notes to be issued by Optics with the same maturity and interest rate as the EUR TIF New Notes but with other terms as described elsewhere in this Exchange Offer Memorandum. Upon consummation of the EUR TIF Mandatory Acquisition Exchange, the EUR TIF New Notes will be cancelled.
Optional Redemption at the option of the Issuer..	Not Applicable
Optional Redemption at the option of the Holders	Not Applicable
Optional Redemption for Tax Reasons...	Early redemption will only be permitted for tax reasons as described in the Condition 6(b) (*Redemption for tax reasons*)
Minimum Denomination of EUR TIF New Notes	The EUR TIF New Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. EUR TIF New Notes in denominations of less than €100,000 will not be available
New Notes Agent	The Bank of New York Mellon, London Branch
Offer Restrictions.....................................	The EUR TIF New Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The EUR TIF New Notes are subject to restrictions on offer, sale and transfer. See "*Notice to Investors*" and "*Offer Restrictions*"
Form, Clearance and Settlement............	The EUR TIF New Notes will be issued in new global note (NGN) form and are intended to constitute eligible collateral for the Eurosystem monetary policy, provided the other eligibility criteria are met. The EUR TIF New Notes will be issued in bearer form. The EUR TIF New Notes will initially be in the form of the relevant Temporary Global Note, exchangeable for the relevant Permanent Global Note which may be exchanged for the relevant Definitive Notes in the limited circumstances set out in the relevant Permanent Global Note. See "*Summary of Provisions Relating to the EUR TIF New Notes While Represented by the Global Notes*"
Absence of a Public Market for the EUR TIF New Notes	The EUR TIF New Notes will be new securities for which there is currently no established trading market. Although the Dealer Managers have advised TIF that they intend to make a market in the EUR TIF New Notes, they are not obligated to do so and they may discontinue market making activities at any time without notice. Accordingly, there is no assurance that an active trading market will develop or be maintained for the EUR TIF New Notes
Listing and Admission to Trading..........	Application will be made for the EUR TIF New Notes to be admitted to listing on the Official List of the Stock Exchange and trading on the professional segment of its Euro MTF Market, in accordance with the rules thereof. The Stock Exchange's Euro MTF Market is not a regulated market for the purposes of MiFID II. There can be no

	assurance that the EUR TIF New Notes will be, or will remain, listed on the Official List of the Stock Exchange or remain admitted to trading on the Euro MTF Market thereof
Governing Law..	The EUR TIF New Notes and all matters arising from or connected with the EUR TIF New Notes are governed by, and shall be construed in accordance with, English law. Articles 470-1 to 470-19 of the Luxembourg law on commercial companies of August 10, 1915, as amended, are excluded
Risk Factors	Investing in the EUR TIF New Notes involves substantial risks. You should consider carefully all of the information in this Exchange Offer Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the EUR TIF New Notes.
Taxation	All payments in respect of the EUR TIF New Notes (including pursuant to the Guarantee of the EUR TIF New Notes) will be made free and clear of withholding taxes of the jurisdiction of incorporation of TIF or (in the case of payments under the Guarantee of the EUR TIF New Notes) the Republic of Italy, unless the withholding is required by law. In that event, TIF or (as the case may be) TIM Guarantor will (subject as provided in the Condition 8 (Taxation)) pay such additional amounts as will result in the Holders of the EUR TIF New Notes receiving such amounts as they would have received in respect of such EUR TIF New Notes had no such withholding been required. See Condition 8 (*Taxation*) for further details
Security Codes...	ISIN: XS2798880493 Common Code: 279888049
EUR TIF New Notes Agency Agreement	The fiscal agency agreement dated as of the date of the EUR TIF New Notes Issue Date by and among TIF, as issuer, TIM, as guarantor, and the New Notes Agent, as amended and/or supplemented from time to time.
EUR TIF New Notes Deed of Guarantee	The deed of guarantee dated as of the date of the EUR TIF Initial Exchange by TIM as guarantor in respect of the EUR TIF New Notes

SUMMARY OF THE EUR OPTICS (TIF) NOTES

The summary below describes the principal terms of the EUR Optics (TIF) Notes offered hereby. It may not contain all the information that is important to you. Certain of the terms and conditions described below are subject to important limitations and exceptions. Defined terms used in this summary, but not defined herein, have the meanings set forth in the relevant "Terms and Conditions of the EUR Optics (TIF) Notes." For clarity, the definitions of "Optics Notes Collateral" shall have the meanings ascribed to the terms "Optics Notes Collateral," in the relevant "Terms and Conditions of the EUR Optics (TIF) Notes." Please refer to the "Terms and Conditions of the EUR Optics (TIF) Notes" section in this Exchange Offer Memorandum.

Issuer.. Optics Bidco S.p.A., a joint stock company (*società per azioni*) organized under the laws of Italy

Notes Offered... 7.750% Notes due January 24, 2033 issued in exchange for the EUR TIF New Notes (the "**EUR Optics January 2033 Notes**" or the "**EUR Optics (TIF) Notes**")

Issue Date... Delivery of the EUR Optics (TIF) Notes will occur on or about the settlement date of the Acquisition Exchange (the "**Optics Notes Issue Date**").

Maturity Date .... January 24, 2033

Interest... 7.750%

Interest Payment Dates .... January 24

Consideration .... €1,000 in principal amount of the EUR Optics (TIF) Notes per €1,000 in principal amount of EUR TIF New Notes;

Ranking of the EUR Optics (TIF) Notes. The EUR Optics (TIF) Notes will be:

- senior secured obligations of Optics and, subsequent to the Push-Down Merger, NetCo as the surviving issuer
- senior in right of payment to any indebtedness that is subordinated in right of payment to the Optics Notes
- *pari passu* in right of payment with any existing and future indebtedness of Optics that is not subordinated in right of payment to the EUR Optics (TIF) Notes, including indebtedness incurred under the Senior Bridge Facility Agreement, the Senior Facilities Agreement and the USD Optics Notes
- effectively senior in right of payment to any existing or future unsecured debt of Optics, or debt that is secured on a basis junior to the EUR Optics (TIF) Notes, to the extent of the value of the property or assets that is available to satisfy the obligations under the EUR Optics (TIM) Notes
- effectively subordinated to any existing and future indebtedness of Optics that is secured by property or assets that do not secure the

Optics Notes, to the extent of the value of the property and assets securing such indebtedness

- structurally subordinated to any existing or future indebtedness of Optics' subsidiaries that do not guarantee the EUR Optics (TIF) Notes, including obligations to trade creditors

See "*Terms and Conditions of the EUR Optics (TIF) Notes*" for more details.

The Guarantee .... On the Optics Notes Issue Date, the EUR Optics (TIF) Notes will not be guaranteed.

Optics shall procure that, subject to certain agreed security principles and certain material limitations pursuant to applicable laws and the terms of the EUR Optics Notes Trust Deed, NetCo guarantees the Optics Notes within 60 days after the Acquisition Closing Date if the Push-Down Merger has not occurred (the "**NetCo Guarantee**") and, together with any and all other future restricted subsidiaries of Optics that may guarantee the Optics Notes (collectively, the "**Guarantors**" and individually a "**Guarantor**") from time to time pursuant to the relevant Conditions of the EUR Optics Notes, the "**Guarantees**" and individually a "**Guarantee**"). See "*Terms and Conditions of the EUR Optics (TIF) Notes—Notes Guarantee*."

The NetCo Guarantee will be subject to certain material contractual and legal limitations including the limitations described in the "*Terms and Conditions of the EUR Optics (TIF) Notes*" and in "*Risk Factors—Risks Relating to the Optics Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the guarantee may adversely affect the validity and enforceability of the NetCo Guarantee*," "*Risk Factors—Risks Relating to the Optics Notes—The pledge over NetCo's shares may not cover the entire share capital of Optics* and see "*Risk Factors—Risks Relating to the Optics Notes—Once granted, the guarantees, including the NetCo Guarantee, and the Optics Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations*".

Ranking of the Guarantee....................... The Guarantee of a Guarantor will be:

- a senior obligation of the Guarantor
- senior in right of payment to any indebtedness of that Guarantor that is subordinated in right of payment to such Optics Notes Guarantee
- *pari passu* in right of payment with any senior indebtedness of the Guarantor that is not subordinated in right of payment to such Optics Notes Guarantee (including that Guarantor's obligations

under the Senior Bridge Facility Agreement, the Senior Facilities Agreement, the USD Optics Notes)

- effectively subordinated to all existing or future Indebtedness of the Guarantor that is secured by property or assets that do not secure the Guarantee, to the extent of the value of the property and assets securing such other indebtedness
- structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the subsidiaries of the Guarantor that are not Guarantors
- subject to certain contractual and legal limitations, including the limitations described in the "*Terms and Conditions of the EUR Optics (TIF) Notes*" and in "*Risk Factors—Risks Relating to the Optics Notes—Once granted, the guarantees, including the NetCo Guarantee, and the Optics Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations*"
- the Guarantees will be subject to release under certain circumstances

Optics Notes Collateral............................ Subject to the Intercreditor Agreement, the operation of certain agreed security principles, certain perfection requirements, any permitted encumbrances, certain material limitations pursuant to applicable laws and the terms of the applicable Security Documents, if the Push-Down Merger has not occurred, the EUR Optics (TIF) Notes will be secured:

(i) as of the Optics Notes Issue Date, by Italian law-governed first-ranking security interests granted by Optics HoldCo over: (i) the issued share capital of Optics held by Optics HoldCo; and (ii) receivables arising from material intercompany loans granted by Optics HoldCo to Optics (if any) (collectively, the "**Optics Notes Issue Date Collateral**"); and

(ii) no later than the date falling 60 days after the Acquisition Closing Date, if the Push-Down Merger has not occurred by such date, by Italian law-governed first-ranking security interests granted by Optics over: (i) the issued share capital of NetCo held by Optics (on a basis whereby (a) the grant of security shall not trigger any tag-along rights in favor of any shareholder of NetCo and (b) the enforcement of such security will not be subject to any lock-up under any shareholder arrangements relating to the shares in NetCo); and (ii) receivables arising from any Funding Loan (the "**Optics Notes Post-Issue Date Collateral**").

(iii) in the event that the Push-Down Merger cannot be effected with the security interests over the shares in NetCo held by Optics and/or intercompany loans made available by Optics HoldCo to Optics remaining in place, such security interests

shall be released in order to effect the Push-Down Merger and, Optics HoldCo shall, within 20 Business Days following the Push-Down Merger, enter into replacement security over (i) the issued share capital of NetCo held by Optics HoldCo; and (ii) receivables arising from material intercompany loans granted by Optics HoldCo to NetCo, if any (the "**Optics Notes Replacement Collateral**") .

Collectively, the Optics Notes Issue Date Collateral (including any Optics Notes Replacement Collateral, if any) and the Optics Notes Post-Issue Date Collateral, and any and all assets from time to time in which a security interest has been or will be granted pursuant to any Security Document to secure the obligations under the USD Optics Notes Indenture and the EUR Optics Notes Trust Deed, the Optics Notes and/or any Guarantees, in each case as may be in existence from time to time, as the context may require, are be referred to as the "**Optics Notes Collateral**".

Fastweb currently owns a 4.5% stake in FiberCop. Subject to the outcome of current negotiations among the parties, Optics may acquire Fastweb's stake in NetCo or Fastweb may remain a minority shareholder in NetCo following the Acquisition. If Fastweb continues to be a shareholder of NetCo following the Acquisition, the minority stake of Fastweb is expected to be diluted in connection with the consummation of the Acquisition. To the extent Fastweb remains a shareholder in NetCo following the Transactions, it is not expected to pledge the stake it owns in NetCo, including after the occurrence of the Push-Down Merger.

Accordingly, the Optics Notes Post-Issue Date Collateral, including following the Push-Down Merger, may include only 95.5% (or any other percentage held in NetCo from time to time) of NetCo' s share capital.

Covenants ....

The EUR Optics Notes Trust Deed relating to the EUR Optics Notes, among other things, will restrict the ability of Optics, and, as applicable, NetCo and any future subsidiary to:

(i) create or incur certain security interests;

(ii) consolidate or merge with other entities;

(iii) impair the security interests for the benefit of the holders of the EUR Optics Notes;

(iv) in the case of Optics, carry on any material business other than activities relating to holding companies prior to the Push-Down Merger; and

(v) in the case of NetCo, incur indebtedness other than as permitted under the Senior Facilities Agreement prior to the Push-Down Merger.

In addition, the EUR Optics Notes Trust Deed will require that Optics use commercially reasonable endeavors to complete the Push-Down

Merger within six months of the Optics Notes Issue Date. See "*Terms and Conditions of the EUR Optics (TIF) Notes*" for more details

Push-Down Merger...................................

Optics shall use commercially reasonable endeavors, subject to any relevant approval and/or authorization by any competent authority, to merge with NetCo in accordance with Articles 2501-bis and following of the Italian Civil Code and other applicable provisions of Italian law, with NetCo being the surviving entity, within six months of the Acquisition Closing Date. Fastweb currently owns a 4.5% stake in FiberCop. If Fastweb continues to be a shareholder of NetCo following the Acquisition, it is expected that Fastweb will have a withdrawal right pursuant to article 2437 of the Italian Civil Code (which is substantially a right to sell its shares to NetCo or other shareholders of NetCo, on the terms and conditions provided by law), in particular in the event that certain amendments are made to the bylaws of NetCo (prior to or at the consummation of the Acquisition). This includes amendments with respect to the deletion/amendment of certain transfer restrictions currently included in the bylaws, which may be necessary to allow (or in any event facilitate) the creation of security over the NetCo's shares in the context of the Transactions and the subsequent transfer that could occur following the enforcement of the pledge upon exercise). Accordingly, Fastweb may opt to exercise such withdrawal right to sell its minority stake and to be liquidated following the Acquisition. The funding of the potential liquidation of Fastweb shares will be determined by Optics at the relevant time. As of the date of this Exchange Offer Memorandum, Optics does not anticipate funding the potential liquidation of Fastweb shares through the incurrence of debt.

Following the Push-Down Merger, NetCo will succeed to, and be substituted for, and may exercise every right and power of, and shall assume all of the existing obligations of, Optics, including those relating to the USD Optics Notes and the USD Optics Notes Indenture. Optics will use commercially reasonable endeavours to effect the Push-Down Merger, provided that the security interests over the shares in NetCo held by Optics (to the extent such security interests are already in place by the time the Push-Down Merger becomes effective) and intercompany loans made available by Optics HoldCo to Optics shall remain in place, with NetCo succeeding in the position of Optics. In the event that the Push-Down Merger cannot be effected with the security interests over the shares in NetCo held by Optics and/or intercompany loans made available by Optics HoldCo to Optics remaining in place, such security interests shall be released in order to effect the Push-Down Merger and Optics HoldCo shall, within 20 Business Days following the Push-Down Merger, enter into replacement security. Upon completion of the Push-Down Merger, the security interests over Optics' receivables in respect of the Funding Loan, if any, will automatically cease to exist and, since Optics will be incorporated into NetCo and therefore cease to exist, the security interest over the share capital of Optics will be extinguished by operation of law. To the extent required, security interests granted in favor of the EUR Optics Notes will be re-granted or re-confirmed in accordance with section "*Terms and Conditions of the EUR Optics (TIF) Notes—Covenants—Impairment of Security Interests"* To the extent that NetCo has provided a Notes Guarantee, in respect of the EUR Optics Notes prior to the Push-

Down Merger, such Notes Guarantee shall be extinguished by operation of law.

Each Noteholder of the EUR Optics (TIF) Notes, by accepting a EUR Optics (TIF) Note, will be deemed to agree, for the purposes of Articles 2503 et seq. of the Italian Civil Code, to the consummation of the Push-Down Merger and the assumption by NetCo of all obligations of the issuer in respect of the EUR Optics (TIF) Notes, the EUR Optics Notes Trust Deed, the Intercreditor Agreement and, to the extent applicable, the Security Documents upon completion of the Push-Down Merger.

The Push-Down Merger is subject to certain conditions and may not be completed. See "*Risk Factors— Risks Relating to the Optics Notes—Optics may be unable to complete the Push-Down Merger within the anticipated time frame, or at all*."

Optional Redemption of the Issuer .... (i) Redemption at the Option of Optics (Make-Whole Call); and (ii) Redemption at the Option of Optics (Par Call) (each as defined and further described in the Conditions of the EUR Optics (TIF) Notes). See "*Terms and Conditions of the EUR Optics (TIF) Notes*" for more details.

Optional Redemption of the Holders ...... Redemption at the Option of the Holders on the occurrence of a Put Event (as defined and further described in the Conditions of the EUR Optics (TIF) Notes). A Put Event will only be deemed to have occurred if a Change of Control is accompanied by a Negative Event (as defined and further described in the relevant Conditions of the EUR Optics Notes) in connection with such event. See "*Terms and Conditions of the EUR Optics (TIF) Notes*" for more details.

Additional Amounts................................. All payments made by or on behalf of Optics, NetCo or any other Guarantor (including, in each case, any successor entity thereof) (each, a "**Payor**") on the EUR Optics (TIF) Notes and the Coupons will be made free and clear of and without withholding or deduction for, or on account of, any taxes unless the withholding or deduction of such taxes is then required by law (including any taxing authority's interpretation or administration thereof). If the Payor is required to withhold or deduct any taxes imposed or levied by or on behalf of any Tax Jurisdiction (as defined in "*Terms and Conditions of the EUR Optics (TIF) Notes - Additional Amount*") from payments on the Notes or Coupons, the Payor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholder or Couponholder after the withholding or deduction will equal the amounts which would have been received in the absence of such withholding or deduction, subject to certain exceptions.

See "*Terms and Conditions of the EUR Optics (TIF) Notes*" for more details

Optional Redemption for Tax Reasons... In the event of certain developments affecting taxation or certain merger or similar transactions of NetCo or Optics, Optics may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of

	the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "*Terms and Conditions of the EUR Optics (TIF) Notes*" for more details
Minimum Denomination of EUR Optics Notes	The EUR Optics (TIF) Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. EUR Optics (TIF) Notes in denominations of less than €100,000 will not be available
Optics Notes Trustee	Citibank, N.A., London Branch, having its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom
Optics Notes Paying Agent.......................	Citibank, N.A., London Branch, having its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom
Optics Notes Transfer Agent and Registrar	Citibank Europe plc, having its registered office at 1 North Wall Quay, Dublin, 1, Ireland;
Offer Restrictions......................................	The EUR Optics (TIF) Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction, including Italy. The EUR Optics (TIF) Notes are subject to restrictions on offer, sale and transfer. Optics has not agreed to, or otherwise undertaken to, register the EUR Optics (TIF) Notes under the securities laws of any jurisdiction (including by way of an exchange offer). See "*Notice to Investors*" and "*Offer Restrictions*".
Form, Clearance and Settlement.............	The EUR Optics (TIF) Notes will be issued in classic global note (CGN) form. The EUR Optics (TIM) Notes will be issued in registered form. The EUR Optics (TIM) Notes will be represented by a global certificate in registered form which may be exchanged for the relevant definitive certificate only in certain limited circumstances. See "*Summary of Provisions Relating to the EUR Optics (TIM) Notes while Represented by the Global Notes*"
Absence of a Public Market for the Notes	The EUR Optics (TIF) Notes will be new securities for which there is currently no established trading market. Although the Dealer Managers have advised Optics that they intend to make a market in the EUR Optics (TIF) Notes, they are not obligated to do so and they may discontinue market making activities at any time without notice. Accordingly, there is no assurance that an active trading market will develop or be maintained for the EUR Optics (TIF) Notes
Listing and Admission to Trading...........	Application will be made for the EUR Optics (TIF) Notes to be admitted to listing on the Official List of the Stock Exchange and trading on the professional segment of its Euro MTF Market from their issue date, in accordance with the rules thereof. The Stock Exchange's Euro MTF

	Market is not a regulated market for the purposes of MiFID II. There can be no assurance that the EUR Optics (TIF) Notes will be, or will remain, listed on the Official List of the Stock Exchange or remain admitted to trading on the Euro MTF Market thereof
Governing Law...	The EUR Optics Notes Trust Deed and the EUR Optics (TIF) Notes, will be governed by English law, save for mandatory provisions of Italian law relating to the meetings of Noteholders, the Optics Notes Security Agent as *mandatario con rappresentanza* and legal representative of the holders of the Optics Notes pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code and the common representative (*rappresentante comune*) pursuant to Articles 2417 and 2418 of the Italian Civil Code. See "*Terms and Conditions of the EUR Optics (TIF) Notes*"
Risk Factors	Investing in the EUR Optics (TIF) Notes involves substantial risks. You should consider carefully all of the information in this Exchange Offer Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the EUR Optics (TIF) Notes
Security Codes	ISIN: XS2804497506 Common Code: 280449750
EUR Optics Notes Trust Deed	The trust deed dated as of the Optics Notes Issue Date by and among Optics, as issuer and the Optics Notes Trustee, as amended and/or supplemented from time to time, with respect to the EUR Optics (TIF) Notes.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION AND PRO FORMA CARVE-OUT OF THE TIM GROUP

The summary historical consolidated 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 December 31, 2023, 2022 and 2021, which has been extracted or derived from the applicable TIM Audited Consolidated Financial Statements.

This section should be read in conjunction with the TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum and the notes thereto and the information set forth in "*Presentation of Financial and Other Information*," "*Summary*," "*Use of Proceeds*," "*Capitalization of the TIM Group*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group*," and "*Business of the TIM Group.*"

Summary Consolidated Income Statement

	For the year ended December 31,		
	2023	**2022**	**2021**
(€m)		(audited)	
Revenues	**16,296**	**15,788**	**15,316**
of which: service revenues	14,953	14,600	13,905
Other income	206	213	272
Total operating revenues and other income	**16,502**	**16,001**	**15,588**
Acquisition of goods and services	(7,518)	(7,239)	(6,550)
Employee benefits expenses	(2,987)	(3,180)	(2,941)
Other operating expenses	(872)	(816)	(1,502)
Changes in inventories	47	22	10
Internally generated assets	538	559	475
EBITDA	**5,710**	**5,347**	**5,080**
of which: impact of non-recurring items	(673)	(682)	(1,143)
Depreciation and amortization	(4,863)	(4,777)	(4,490)
Gains/(losses) on disposals and impairment reversals (losses) on non-current assets	(11)	36	(4,119)
Operating profit (loss) (EBIT)	**836**	**606**	**(3,529)**
of which: impact of non-recurring items	(676)	(682)	(5,263)
Share of profits (losses) of associates and joint ventures accounted for using the equity method and other income (expenses) from investments	24	229	164
Finance income	1,095	1,115	1,124
Finance expenses	(2,835)	(2,538)	(2,274)
Profit (loss) before tax from continuing Operations	**(880)**	**(588)**	**(4,515)**
of which: impact of non-recurring items	(669)	(490)	(5,144)
Income tax expense	(227)	(2,066)	(3,885)
Profit (loss) from continuing operations	(1,107)	**(2,654)**	**(8,400)**
Profit (loss) from Discontinued operations/non-current assets held for sale	**-**	**-**	**-**
Profit (loss) for the period	**(1,107)**	**(2,654)**	**(8,400)**
Of which: impact of non-recurring items	(670)	(2,437)	(8,653)

Summary Consolidated Statement of Financial Position

(€m)	As of December 31, 2023	2022	2021
		(audited)	
Cash and cash equivalents	2,912	3,555	6,904
Property, plant and equipment owned	14,692	14,100	13,311
Total assets	**62,159**	**62,027**	**69,187**
Total equity	**17,513**	**18,725**	**22,039**
Total liabilities	**44,646**	**43,302**	**47,148**

Summary Consolidated Statement of Cash Flows

(€m)	As of December 31, 2023	2022	2021
		(audited)	
Cash flows from/(used in) operating activities	3,944	4,895	4,336
Cash flows from/(used in) investing activities	(4,149)	(5,335)	(5,117)
Cash flows from/(used in) financing activities	(456)	(2,869)	3,164
Cash flows from/(used in) Discontinued operations/Non-current assets held for sale	-	-	-
Aggregate cash flows	**(661)**	**(3,309)**	**2,383**

Other Financial Data

(€m)	For the year ended December 31, 2023	2022	2021
	(unaudited, unless stated otherwise)		
Revenues	16,296	15,788	15,316
of which: service revenues [1]	14,953	14,600	13,905
EBITDA [2]*	5,710	5,347	5,080
EBITDA-AL[2]*	4,631	4,313	4,261
Capital Expenditures [3]	3,982	4,077	4,630
Capital Expenditures (net of spectrum) [3]*	3,982	3,979	3,826
Operating free cash flow [4]*	2,601	(625)	1,444
Operating free cash flow (net of licenses) [4]*	2,649[5]	1,617[5]	1,879[5]

(*) 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 the TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(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. See "*—Certain Pro Forma and As Adjusted Financial Data*" table below on reconciliation of the TIM Group's Profit (loss) for the year to EBITDA and of EBITDA to EBITDA-AL for the periods presented.

(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. See "*—Certain Pro Forma and As Adjusted Financial Data*" table below for a reconciliation of the TIM Group's Capital Expenditures to Capital Expenditures (net of spectrum) for the periods presented.

(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. See "*—Certain Pro Forma and As Adjusted Financial Data*" table below for a reconciliation of the TIM Group's Operating Free Cash Flow to Operating Free Cash Flow (net of licenses) for the periods presented.

(5) Operating free cash flow (net of licenses) is not adjusted for lease payments.

Net Financial Debt

(€m)	As of and for the year ended December 31, 2023	2022	2021
	(unaudited, unless stated otherwise)		
Cash and cash equivalents	(2,912)	(3,555)	(6,904)
Net Financial Debt Carrying amount[(1)*]	25,776	25,370	22,416
Adjusted Net Financial Debt[(2)*]	25,656	25,364	22,187
Adjusted Net Financial Debt-AL[(3)*]	20,349	20,015	17,573

(*) 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 the TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) 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).

(2) 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.

(3) 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. See "*—Certain Pro Forma and As Adjusted Financial Data*" table below for a reconciliation of gross financial debt to Adjusted Net Financial Debt-AL for the periods presented.

Organic EBITDA-AL, Organic EBITDA-AL Margin

(€m, except ratios and percentages)	As of and for the year ended December 31, 2023
	(unaudited)
Organic EBITDA-AL [(1)*]	5,304
Organic EBITDA-AL Margin [(2)*]	32.55%
Adjusted Net Financial Debt-AL[(3)*]	20,349
Ratio of Adjusted Net Financial Debt-AL to Organic EBITDA-AL.	3.83x

(*) 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 TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) 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. See table below for a reconciliation of the TIM Group's EBITDA to Organic EBITDA-AL for the periods presented.

(2) Organic EBITDA-AL Margin represents the ratio of Organic EBITDA-AL to Organic Revenues, in each case for the year ended December 31, 2023, expressed as a percentage.

(3) 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. See table below for a reconciliation of gross financial debt to Adjusted Net Financial Debt-AL for the periods presented. The Adjusted Net Financial Debt-AL includes €425 million relating to the reclassification, among net financial position items, of a portion of the non-financial liability related to NRRP advance payments received by TIM at the end of 2023. Following the Transactions, TIM could be required to reimburse these advances, as it would no longer be entitled to such grants, given that those advance payments are related to capital expenditures that have yet to be made. See "*Regulation of the TIM Group—Regulatory Levies" and "Regulation of NetCo—Regulatory Levies*."

Reconciliation of Profit (loss) for the period to EBITDA and of EBITDA to EBITDA-AL

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

(€m)	For the year ended December 31, 2023	2022	2021
	(unaudited, unless stated otherwise)		
Profit (loss) for the period	**(1,107)**	**(2,654)**	**(8,400)**
Profit (loss) from Discontinued operations/non-current assets held for sale	—	—	—
Income tax expense	227	2,066	3,885
Finance expenses	2,835	2,538	2,274
Finance income	(1,095)	(1,115)	(1,124)
Share of profits (losses) of associates and joint ventures accounted for using the equity method and other income (expenses) from investments	(24)	(229)	(164)
Gains/(losses) on disposals and impairment reversals (losses) on non-current assets	11	(36)	4,119
Depreciation and amortization	4.863	4,777	4,490
EBITDA	**5,710**	**5,347**	**5,080**
Lease payments*	(1,079)	(1,034)	(819)
EBITDA-AL	**4,631**	**4,313**	**4,261**

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

Reconciliation of Capital Expenditures to Capital Expenditures (net of spectrum)

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 provides a reconciliation of the TIM Group's Capital Expenditures to Capital Expenditures (net of spectrum) for the periods presented:

(€m)	For the year ended December 31, 2023	2022	2021
	(unaudited, unless stated otherwise)		
Capital Expenditures (on accrual basis)	3,982	4,077	4,630
of which spectrum *	-	98	804
Capital Expenditures (net of spectrum)*	3,982	**3,979**	**3,826**

(*) 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 TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

Reconciliation of EBITDA to Operating Free Cash Flow (net of licenses)

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 provides a reconciliation of the TIM Group's Operating Free Cash Flow to Operating Free Cash Flow (net of licenses) for the periods indicated:

	For the year ended December 31,		
	2023	**2022**	**2021**
(€m)	(unaudited, unless stated otherwise)		
EBITDA(*)	5,710	5,347	5,080
Capital Expenditures (on accrual basis)	(3,982)	(4,077)	(4,630)
Change in working capital(*)(1)	873	(1,895)	994
Operating Free Cash Flow(*).	**2,601**	**(625)**	**1,444**
of which payment of TLC licenses and for the use of frequencies(*)(2)	48	2,242	435
Operating Free Cash Flow (net of licenses) (*)(3)	**2,649**	**1,617**	**1,879**

(*) 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 TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) Change in working capital 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.

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

(3) This measure is not adjusted for lease payments.

Reconciliation of gross financial debt to Adjusted Net Financial Debt-AL

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 periods presented:

	As of December 31,		
	2023	**2022**	**2021**
(€m)		(unaudited)	
Bonds	18,563	18,058	20,895
Amounts due to banks, other financial payables and liabilities	8,492	8,720	8,487
Financial liabilities for lease contracts	5,581	5,467	4,715
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	-	-	-
Gross financial debt(*)	**32,636**	**32,245**	**34,097**
Financial assets	6,860	6,875	11,681
of which: cash and cash equivalents	2,912	3,555	6,904
Net Financial Debt Carrying Amount(*)	**25,776**	**25,370**	**22,416**

Reversal of fair value measurement of derivatives and related financial liabilities/assets	(120)	(6)	(229)
Adjusted Net Financial Debt	**25,656**	**25,364**	**22,187**
Leasing [1]	(5,307)	(5,349)	(4,614)
Adjusted Net Financial Debt-AL	**20,349**	**20,015**	**17,573**

(*) 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 TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) Aggregate amount of leases under IFRS 16.

Reconciliation of EBITDA to Organic EBITDA-AL

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 provides a reconciliation of the TIM Group's EBITDA to Organic EBITDA-AL for the periods presented:

(€m)	For the year ended December 31, 2023 (unaudited)
EBITDA[(*)]	**5,710**
Non-recurring expenses/(income)[(1)]	673
Lease payments	(1,079)
Organic EBITDA-AL[(*)(2)]	**5,304**

(*) 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 TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) Non-recurring expenses/(income) relate to events and transactions that, in the opinion of management, 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 ended December 31, 2023 include:

(i) €189 million relating to (a) charges mainly connected to disputes, settlements, regulatory sanctions and potential liabilities related to them, (b) the update of contractual risk provisions for onerous contracts (IAS 37) relating to an existing multi-year relationship, (c) other non-recurring expenses associated with agreements and the development of non-recurring projects (d) non-recurring income associated with the recovery of certain operating expenses.

(ii) €484 million benefits expenses mainly relating to outgoing managerial and non-managerial staff in connection with the corporate reorganization and restructuring processes, in accordance with the application of Article 4 of Italian Law No. 92 of June 28, 2012 and the former Article 41, subsection 5bis, of Italian Legislative Decree No. 148/2015, and agreements signed during the year ended December 31, 2022, with certain trade unions relating to the Italian companies comprising the Domestic Business Unit.

(iii) €3 million associated with net capital losses from the sale of non-current assets.

(2) Organic EBITDA for any of the periods presented equals Organic EBITDA-AL, with the above adjustment for lease payments added back in. 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 financial information set forth below are derived from the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of financial position of the TIM Group as of and for the year ended December 31, 2023. The pro forma financial information of the TIM Group gives effect to the Transactions by applying pro forma adjustments to the historical consolidated financial statements of the TIM Group to reflect the exclusion of the NetCo assets, FiberCop, Telenergia, an assumed debt transfer as part of the Exchange Offers, the unwinding of the relevant hedge contracts, an assumed cash-in from the Acquisition including in connection with a payment by Optics to TIM in respect of the Exchange Offers in accordance with the Transaction Agreement, the repayment of the FiberCop Intercompany Loan and certain adjustments, including the impact of the Master Services Agreement and the Transitional Services Agreement. The TIM Unaudited Pro Forma Financial Information does not reflect the final attribution of goodwill by the TIM Group to the NetCo Business, following the application of the applicable IFRS accounting principles, such as IAS 36 (Impairment of Assets), at the Acquisition Closing Date and after the final determination of the relative values of the business disposed of and the portion of the cash generating unit retained (or other method to better reflect the goodwill associated with the operation disposed of).

This section should be read in conjunction with the TIM Unaudited Consolidated Pro Forma Financial Information included elsewhere in this Exchange Offer Memorandum and the notes thereto and the information set forth in "Presentation of Financial and Other Information," "Summary," "Use of Proceeds," "Capitalization of the TIM Group," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group," and "Business of the TIM Group."

Summary Unaudited Consolidated Pro Forma Income Statement

(€m)	For the year ended December 31, 2023 (unaudited)
Revenues	**14,436**
Other income	116
Acquisition of goods and services	(8,673)
Employee benefits expenses	(1,972)
Other operating expenses/Changes in inventories/Internally generated assets	(413)
EBITDA	**3,494**
Depreciation and amortization/Gains(losses) on disposals and impairment reversals (losses) on non-current assets	(3,350)
Operating profit (loss) (EBIT)	**144**
Other income (expenses) from investments	24
Finance income (expenses), net	(997)
Profit (loss) before tax from continuing Operations	**(829)**
Income tax expense	(191)
Profit (loss) from continuing operations	**(1,020)**
Profit (loss) from Discontinued operations/Non-current assets held for sale	**-**
Profit (loss) for the year	**(1,020)**

Summary Unaudited Consolidated Pro Forma Statement of Financial Position

(€m)	As of December 31, 2023 (unaudited)
Total Non-Current Assets	**29,848**
Net Working Capital	**(4,618)**
Net Invested Capital*	**25,230**

* Net Invested Capital is the sum of Total Non-Current Assets plus Net Working Capital; which is also the sum of Invested Capital plus Net Financial Debt.

Other Pro Forma Financial Data

(Pro Forma) **(€m)**	**For the year ended December 31, 2023** (unaudited, unless stated otherwise)
Revenue	14,436
EBITDA [(1)(*)]	3,494
EBITDA-AL[(1)(*)]	2,778
Capital Expenditures [(2)]	2,168
Capital Expenditures (net of spectrum) [(2)(*)]	2,168

(*) 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 TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) Pro Forma EBITDA represents the TIM Group's operating profit (loss) before depreciation and amortization expenses, capital gains (losses) and impairment reversals (losses) on non-current assets, on a pro forma basis for the Transactions. Pro Forma EBITDA-AL represents the TIM Group's Pro Forma EBITDA adjusted for lease payments. See "*—Certain Pro Forma and As Adjusted Financial Data*" table below on reconciliation of the TIM Group's Profit (loss) for the year to Pro Forma EBITDA and of Pro Forma EBITDA to Pro Forma EBITDA-AL for the periods presented.

(2) Pro Forma Capital Expenditures represents capital expenditures on an accrual basis. Pro Forma Capital Expenditures (net of spectrum) represents capital expenditures less Pro Forma Capital Expenditures on an accrual basis on TLC licenses for the use of frequencies. Pro Forma Capital Expenditures and Pro Forma Capital Expenditures (net of spectrum) are identical for the year ended December 31, 2023, since no capital expenditures relating to TLC licenses for the use of frequencies were incurred during that year. See "*—Certain Pro Forma and As Adjusted Financial Data*" table below for a reconciliation of the TIM Group's Pro Forma Capital Expenditures to Pro Forma Capital Expenditures (net of spectrum) for the periods presented.

Pro Forma Net Financial Debt

(Pro Forma) **(€m)**	**As of and for the year ended December 31, 2023[(1)]** (unaudited, unless stated otherwise)
Cash and cash equivalents[(2)(*)]	(10,872)
Net Financial Debt Carrying amount[(3)(*)]	10,182
Adjusted Net Financial Debt[(4)(*)]	10,113

(*) 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 TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) Does not reflect (i) the repayment at maturity of €450 million aggregate principal amount of the 2024 3.625% Euro Notes on January 19, 2024, (ii) the repayment at maturity of €950 million aggregate principal amount of the 2024 4% Euro Notes on April 11, 2024, (iii) the repayment of the Intesa Sanpaolo Loan Agreement of €500 million on March 25, 2024 and (iv) the drawdown under the TIM Term Facility Agreement of €1.5 billion on April 10, 2024.

(2) Reflects the assumed cash in from the Acquisition, including in connection with a payment by Optics to TIM in respect of the Exchange Offers in accordance with the Transaction Agreement, but excludes payment by the TIM Group of any early bird premium or participation premium of, in each case, \$2.50 or €2.50 per \$1,000 or €1,000 principal amount (as the case may be) per Original Note accepted in connection with the Initial Exchange. For the purposes of calculating the cash-in from the Acquisition, which depends, among other factors, on the results of the Exchange Offers, the management assumed that the Initial Exchange is subscribed at the Total Cap amount, with the New Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes (\$431 million), respectively (based on an exchange rate of \$1.105 per €1.000 as of December 31, 2023).This measure does not reflect the drawdown under the TIM Term Facility Agreement of an amount equal to €1.5 billion on April 10, 2024. If the Initial Exchange is subscribed below the Total Cap, or if no or fewer New Notes are issued pursuant to the Initial Exchange, the cash purchase price of the Acquisition will increase commensurately. The cash and cash equivalents at the Acquisition Closing Date may differ due to a number of factors, including, without limitation, the triggering of any purchase price adjustments pursuant to the Transaction Agreement, the date on which the Acquisition is consummated, ongoing operations of the TIM Group and the other matters set forth in this footnote. The Pro Forma Cash and Cash equivalents do not reflect any adjustments in respect of the order of seizure issued on February 2, 2024 by the preliminary investigation judge (*giudice per le indagini preliminary*) of the Court of Milan carrying out a preventive seizure (*sequestro preventivo*) of the sums held in the TIM Group's bank accounts amounting to approximately €249.0 million. See "*Risk Factors—Risks Related to The TIM Group—Risks Related to the TIM Group's Legislative and Legal Framework— The TIM Group is exposed to risks in connection with fraud.*"

(3) Pro Forma 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).

(4) Pro Forma Adjusted Net Financial Debt represents the Pro Forma 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 Pro Forma 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.

Certain Pro Forma and As Adjusted Financial Data

(Pro Forma) **(€m, except ratios)**	**As of and for the year ended December 31, 2023** (unaudited)
Organic EBITDA-AL [1][*]	3,450
Organic EBITDA-AL Margin[2][*]	23.90%
Adjusted Net Financial Debt-AL[3][*]	6,581
Net finance expenses[4]	(997)
Ratio of Adjusted Net Financial Debt-AL to Organic EBITDA-AL	1.91x
Ratio of Organic EBITDA-AL to Net finance expenses)	3.46x

(*) 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 TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) Pro Forma Organic EBITDA-AL represents Pro Forma EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments. See table below for a reconciliation of the TIM Group's Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented.

(2) Pro Forma Organic EBITDA-AL Margin represents the ratio of Pro Forma Organic EBITDA-AL to Pro Forma Revenues, in each case for the year ended December 31, 2023, expressed as a percentage.

(3) Pro Forma Adjusted Net Financial Debt-AL represents Adjusted Net Financial Debt, after giving *pro forma* effect to Transactions. The Pro Forma Adjusted Net Financial Debt-AL excludes the net liabilities related to the accounting treatment of lease contracts according to IFRS 16. The Adjusted Net Financial Debt-AL includes €425 million relating to the reclassification, among net financial position items, of a portion of the non-financial liability related to NRRP advance payments received by TIM at the end of 2023. Following the Transactions, TIM could be required to reimburse these advances, as it would no longer be entitled to such grants, given that those advance payments are related to capital expenditures that have yet to be made. See "*Risk Factors—Risks related to the TIM Group's Financial Information—The pro forma financial information of the TIM Group may not be necessarily representative of the results that the TIM Group would have achieved as a result of the Transactions and may not be a reliable indicator of its future performance.*"

(4) *Pro forma* Net finance expenses represents Net finance expenses, after giving pro forma effect to the Transactions (assuming the Initial Exchange is subscribed at the Total Cap amount, with the New Notes issued pursuant to the Initial Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes ($431 million), respectively (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023). For presentational purposes, euro equivalents of dollar denominated indebtedness have been converted using an exchange rate of $1.0857 per €1.00, which is the exchange rate used for TIM Group's balance sheet as of December 31, 2023. The actual amounts accepted in each of the US Exchange and EUR Exchange may vary substantially. *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 TIM Group's financial condition at any future date. *Pro forma* Net finance income/(expenses) does not reflect (i) the repayment at maturity of €450 million aggregate principal amount of the 2024 3.625% Euro Notes on January 19, 2024, (ii) the repayment at maturity of €950 million aggregate principal amount of the 2024 4% Euro Notes on April 11, 2024, (iii) the repayment of the Intesa Sanpaolo Loan Agreement of €500 million on March 25, 2024 and (iv) the drawdown under the TIM Term Facility Agreement of €1.5 billion on April 10, 2024.

Reconciliation of Pro Forma Profit (loss) for the period to Pro Forma EBITDA and of Pro Forma EBITDA to Pro Forma EBITDA-AL

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

(€m)	For the year ended December 31, 2023 (unaudited, unless stated otherwise)
Profit (loss) for the year	**(1,020)**
Income tax expense	(191)
Finance income (expenses), net	(997)
Other income (expenses) from investments	24
Depreciation and amortization / Gains/(losses) on disposals and impairment reversals (losses) on non-current assets	(3,350)
EBITDA	**3,494**
Lease payments[*]	(716)
EBITDA-AL	**2,778**

(*) Adjusted for lease payments during the period on a historical basis.

Reconciliation of Pro Forma gross financial debt to Pro Forma Adjusted Net Financial Debt-AL

Pro Forma 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). Pro Forma Adjusted Net Financial Debt represents the Pro Forma 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 Pro Forma 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. Pro Forma Adjusted Net Financial Debt-AL represents Pro Forma 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 Pro Forma Adjusted Net Financial Debt-AL for the periods presented:

(Pro Forma)	As of December 31,
	2023
(€m)	(unaudited)
Bonds	13,551
Amounts due to banks, other financial payables and liabilities	7,253
Financial liabilities for lease contracts	3,634
Gross financial debt[*][(1)]	**24,438**
Financial assets	(14,256)
of which: cash and cash equivalents	(10,872)
Net Financial Debt Carrying Amount[*]	**10,182**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(69)
Adjusted Net Financial Debt	**10,113**
Leases[(2)]	(3,532)
Adjusted Net Financial Debt-AL	**6,581**

(*) 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 TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) Pro Forma Gross Financial Debt has been calculated assuming the Initial Exchange is subscribed at the Total Cap amount, with the New Notes issued pursuant to the Initial Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes ($431 million), respectively (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023). Pro Forma Gross Financial Debt does not reflect (i) the repayment at maturity of €450 million aggregate principal amount of the 2024 3.625% Euro Notes on January 19, 2024, (ii) the repayment at maturity of €950 million aggregate principal amount of the 2024 4% Euro Notes on

April 11, 2024, (iii) the repayment of the Intesa Sanpaolo Loan Agreement of €500 million on March 25, 2024 and (iv) the drawdown under the TIM Term Facility Agreement of €1.5 billion on April 10, 2024.

(2) Aggregate amount of leases under IFRS 16.

Reconciliation of Pro Forma EBITDA to Pro Forma Organic EBITDA-AL

Pro Forma Organic EBITDA-AL represents Pro Forma 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 provides a reconciliation of the TIM Group's Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented:

(Pro Forma)	**For the year ended December 31, 2023**
(€m)	(unaudited)
EBITDA(*)	**3,494**
Non-recurring expenses/(income)(1) and other estimated normalization items (2)	671
Lease payments (3)	(716)
Organic EBITDA-AL(*)(4)	**3,450**

(*) 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 TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) Non-recurring expenses/(income) relate to events and transactions that, in the opinion of management, 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 ended December 31, 2023 include:

(i) €174 million for charges mainly connected to disputes, regulatory sanctions and potential liabilities related to them, the update of the contractual risk provision for onerous contracts (IAS 37) relating to an existing multi-year relationship as well as agreements and the development of non-recurring projects and the recovery of operating costs;

(ii) €445 million for employee benefit expenses also connected to the application of the Art. 4 of Law June 28, 2012 no. 92, as per the agreements signed with the trade unions by Domestic Business Unit companies.

(2) Estimated normalization items refer to certain costs historically incurred by the TIM Group that, as of the date of this Exchange Offer Memorandum, the TIM's management estimates will be borne by NetCo as a standalone entity following the consummation of the Acquisition. In particular, they include:

(i) certain personnel costs relating to the social shock absorbers ("*contratto di espansione*") incurred in connection with the union agreement entered into by TIM on July 28, 2022 together with other minor provisions relating to personnel amounted to €37 million;

(ii) provision accruals for litigations & disputes and related legal costs amounted to €10 million;

(iii) provision accruals for bad debt (relating to trade receivables overdue by more than 365 days) amounted to €5 million.

These costs are not reflected in the NetCo Audited Combined Carve-out Financial Information or in the NetCo Unaudited Combined Pro forma Carve-out Financial Information included elsewhere in this Exchange Offer Memorandum which have been prepared in accordance with the Transaction Agreement. These normalization items do not purport to represent the full range of additional costs or dis-synergies that NetCo, as a standalone entity, could incur as part of the ongoing cost structure of the NetCo Business.

(3) Lease payments refer to the actual cash outflows incurred in the year related to lease contracts.

(4) Pro Forma Organic EBITDA for any of the periods presented equals Pro Forma Organic EBITDA-AL, with the above adjustment for lease payments added back in. Pro Forma Organic EBITDA-AL represents Pro Forma EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments.

SUMMARY FINANCIAL AND OTHER PRO FORMA CARVE-OUT INFORMATION OF NETCO AND OPTICS

The summary financial information and other data set forth below is the unaudited pro forma combined financial data of NetCo as of and for each of the years ended December 31, 2023 and 2022, which has been extracted or derived from the applicable NetCo Unaudited Combined Pro Forma Carve-out Financial Information.

This section includes certain data, on a pro forma basis for the Transactions, relating to the Optics Group. These data have been prepared by Optics. The preparation of such data involved applying specific adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information. These adjustments were made to reflect the effects of the Transactions, based on certain assumptions, including the expected outstanding debt of Optics as of the Acquisition Closing Date on a *pro forma* basis for the Acquisition.

This section should be read in conjunction with NetCo Unaudited Combined Pro Forma Carve-out Financial Information included elsewhere in this Exchange Offer Memorandum and the notes thereto and the information set forth in "*Presentation of Financial and Other Information*," "*Summary*," "*Capitalization of NetCo and Optics*," "*Management's Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo*."

Summary Unaudited Consolidated Pro Forma Carve-out Income Statement of NetCo

(Pro Forma) **(€m)**	**For the year ended December 31,**	
	2023	**2022**
	(unaudited)	
Revenues	**3,977**	**3,858**
Other income	240	244
Acquisition of goods and services	(959)	(961)
Employee benefits expenses	(1,015)	(1,050)
Other operating expenses/Changes in inventories/Internally generated assets	110	117
EBITDA	**2,353**	**2,208**
Depreciation and amortization/Gains (losses) on disposals and impairment reversals (losses) on non-current assets	(1,573)	(1,535)
Operating profit (EBIT)	**780**	**673**
Finance income (expenses), net	(336)	(239)
Profit before tax from continuing operations	**444**	**434**
Income tax expense	(133)	(130)
Profit from continuing operations	**311**	**304**
Profit for the year	**311**	**304**

Summary Unaudited Consolidated Pro Forma Carve-out Statement of Financial Position of NetCo

(Pro Forma) **(€m)**	**As of December 31, 2023**
	(unaudited)
Total Non-Current Assets	**13,118**
Net Working Capital	**(1,891)**
Net Invested Capital*	**11,227**

* Net Invested Capital is the sum of Total Non-Current Assets plus Net Working Capital; which is also the sum of Invested Capital plus Net Financial Debt (as shown under NetCo Unaudited Combined Pro Forma Carve-out Financial Information and not under "Capitalization of NetCo and Optics").

The financial information set forth below is derived from the consolidated carve-out income statements and consolidated carve-out statement of financial position of the NetCo as of and for the years ended December 31, 2023 and 2022. The pro forma combined financial information of NetCo gives effect to the Transactions by applying pro forma adjustments to the historical consolidated financial statements of NetCo to reflect certain adjustments including the impact of the Master Services Agreement, the Transitional Services Agreement and the repayment of the FiberCop Intercompany Loan with a new loan to be granted to NetCo and assuming the same interest rate as the interest rate

of the FiberCop Intercompany Loan will apply to it. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect any adjustment relating to the purchase price allocation as the exercise to determine the fair value of the net assets acquired will be carried out only after Acquisition Closing Date.

This section should be read in conjunction with the NetCo Unaudited Combined Pro Forma Carve-out Financial Information included elsewhere in this Exchange Offer Memorandum and the notes thereto and the information set forth in "Presentation of Financial and Other Information," "Summary," "Capitalization of NetCo and Optics," "Management's Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo," and "Business of NetCo."

Certain Pro Forma Data of NetCo

(Pro Forma) **(€m, except percentages)**	**As of and for the year ended December 31, 2023**
	(unaudited)
Capital Expenditures[1][*]	1,814
Operating free cash flow[2][*]	680
Organic EBITDA-AL [3][*]	1,948
Organic EBITDA-AL Margin [4][*]	48.98%
Adjusted Net Financial Debt-AL[5][*]	3,409

(*) 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 NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) *Pro Forma* Capital Expenditures represents pro forma capital expenditures on an accrual basis.

(2) *Pro Forma* Operating Free Cash Flow represents Pro Forma EBITDA less pro forma capital expenditures, change in working capital.

(3) *Pro Forma* Organic EBITDA-AL represents Pro Forma EBITDA adjusted for, where applicable, certain items excluded from the transaction perimeter but considered normal ongoing expenses, non-recurring events and transactions and lease payments. See table below for a reconciliation of the NetCo's Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented.

(4) *Pro Forma* Organic EBITDA-AL Margin represents the ratio of Pro Forma Organic EBITDA-AL to Pro Forma Revenues, in each case for the year ended December 31, 2023, expressed as a percentage.

(5) *Pro Forma* Adjusted Net Financial Debt-AL represents Pro Forma Adjusted Net Financial Debt, excluding the net liabilities related to the accounting treatment of lease contracts according to IFRS 16. See table below for a reconciliation of gross financial debt to Pro Forma Adjusted Net Financial Debt-AL for the periods presented. See "*Capitalization of NetCo and Optics*." This measure does not include the debt to be incurred in connection with the Transactions which will sit at Optics pending the Push-Down Merger.

Reconciliation of Pro Forma Profit (loss) for the period to Pro Forma EBITDA of NetCo

The following table provides a reconciliation of NetCo's Pro Forma Profit for the year to Pro Forma EBITDA for the periods presented:

(Pro Forma) **(€m)**	**For the year ended December 31,**	
	2023	**2022**
	(unaudited, unless stated otherwise)	
Profit for the year	**311**	**304**
Income tax expense	133	130
Finance income (expenses), net	336	239
Depreciation and amortization/Gains (losses) on disposals and impairment reversals (losses) on non-current assets	1,57 3	1,53 5
EBITDA	**2,35 3**	**2,20 8**

Reconciliation of Pro Forma gross financial debt to Pro Forma Adjusted Net Financial Debt-AL of NetCo

Pro Forma 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). Pro Forma Adjusted Net Financial Debt represents the Pro Forma 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 Pro Forma 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. Pro Forma 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 of NetCo and provides a reconciliation of gross financial debt to Pro Forma Adjusted Net Financial Debt-AL for the periods presented:

(Pro Forma) **(€m)**	**As of December 31, 2023** (unaudited)
Bonds	-
Amounts due to banks, other financial payables and liabilities	3,584
Financial liabilities for lease contracts	2,328
Gross financial debt(*)	**5,912**
Financial assets	(356)
of which: cash and cash equivalents	(152)
Net Financial Debt Carrying Amount(*)	**5,556**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	-
Adjusted Net Financial Debt	**5,556**
Leases [(1)]	(2,147)
Adjusted Net Financial Debt-AL	**3,409**

(*) 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 NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) Aggregate amount of leases under IFRS 16.

Reconciliation of Pro Forma EBITDA to Pro Forma Operating Free Cash Flow of NetCo

The following table provides a reconciliation of the NetCo's Pro Forma EBITDA to Pro Forma Operating Free Cash Flow for the periods presented:

(Pro Forma) **(€m)**	**For the year ended December 31, 2023** (unaudited)
EBITDA	**2,353**
Change in inventories	(11)
Change in trade receivables	(60)
Change in trade payables	217
Change other operating assets / liabilities	2
Change in provision	5
Change in provision for employee benefits	(12)
Capital expenditures	(1,814)

(Pro Forma) **(€m)**	**For the year ended December 31, 2023** (unaudited)
Operating Free Cash Flow(*)	**680**
Lease payments	(370)
Operating Free Cash Flow-AL(*)	**310**

(*) 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 NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) These measures are based on NetCo's pro forma statement of financial position as of December 31, 2023, which is included elsewhere in this Exchange Offer Memorandum, and on NetCo's statement of financial position as of December 31, 2022, derived from certain unaudited management accounts that are not included in this Exchange Offer Memorandum.

No pro-forma statement of cash flows has been prepared for the year ended December 31, 2023, as, under the circumstances, it would not provide useful information to investors. The above table provides a reconciliation of NetCo's Pro Forma EBITDA to Pro Forma Operating Free Cash Flow for the periods presented, which is based on NetCo's pro forma statement of financial position as of December 31, 2023, which is included elsewhere in this Exchange Offer Memorandum, and on NetCo's statement of financial position as of December 31, 2022, derived from certain unaudited management accounts that are not included in this Exchange Offer Memorandum.

Reconciliation of Pro Forma EBITDA to Pro Forma Organic EBITDA-AL of NetCo

The following table provides a reconciliation of the NetCo's Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented:

(Pro Forma) **(€m)**	**For the year ended December 31,**	
	2023	**2022**
	(unaudited)	
EBITDA	**2,353**	**2,208**
Estimated normalization items (1)	(52)	(59)
Non-recurring expenses(2)	17	13
Lease payments(3)	(370)	(351)
Organic EBITDA-AL(*)	**1,948**	**1,812**

(*) 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 NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) Estimated normalization items refer to certain costs historically incurred by the TIM Group that, as of the date of this Exchange Offer Memorandum, the TIM's management estimates will be borne by NetCo as a standalone entity following the consummation of the Acquisition. In particular, they include:

a) certain personnel costs relating to the social shock absorbers (*contratto di espansione*) incurred in connection with the union agreement entered into by TIM on July 28, 2022 together with other minor provisions relating to personnel amounted to €37 million and €42 million for the years ended December 31, 2023 and 2022, respectively;

b) provision accruals for litigations & disputes and related legal costs amounted to €10 million and €9 million for the years ended December 31, 2023 and 2022, respectively; and

c) provision accruals for bad debt (relating to trade receivables overdue by more than 365 days) amounted to €5 million and €8 million for the years ended December 31, 2023 and 2022, respectively.

These costs are not reflected in the NetCo Audited Combined Carve-out Financial Information or in the NetCo Unaudited Combined Pro forma Carve-out Financial *Information* included elsewhere in this Exchange Offer Memorandum which have been prepared in accordance with the Transaction Agreement. These normalization items do not purport to represent the full range of additional costs or dis-synergies that NetCo, as a standalone entity, could incur as part of the ongoing cost structure of the NetCo Business. "*Risk Factors— Risks Related to NetCo's Financial Information—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance*" and "*—NetCo's Pro Forma Organic*

EBITDA-AL and other non-IFRS measures presented in this Exchange Offer Memorandum are based upon estimates and assumptions regarding specific initiatives and the impact of certain events. Such estimates and assumptions might prove to be materially incorrect as a result of factors beyond NetCo's control and are subject to known and unknown risks, uncertainties and other factors."

(2) Non-recurring expenses relate to events and transactions that, in the opinion of management, 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. Specifically, non-recurring events for the year ended December 31, 2022 and 2023 mainly include:

a) expenses related to COVID emergency prevention;

b) write-off, in 2023, of a positive income related to a Telenergia dispute; and

c) Personnel costs related to training.

(3) Lease payments refer to the actual cash outflows incurred in the year related to lease contracts.

Certain Pro Forma Data As Adjusted for the Transactions of the Optics Group[(#)]

(Pro Forma) **(€m, except ratios)**	**As of and for the year ended December 31, 2023**
	(unaudited)
Cash and cash equivalents *As Adjusted for the Transactions*[(1)]	152
Adjusted Net Financial Debt-AL *As Adjusted for the Transactions*[(2)(*)]	8,348
Net finance income/(expenses) *As Adjusted for the Transactions*[(3)]	(446)
Ratio of Pro forma Adjusted Net Financial Debt-AL *As Adjusted for the Transactions* to Organic EBITDA-AL of NetCo[(*)]	4.29x
Ratio of Organic EBITDA-AL of NetCo to Net finance income/(expenses) *As Adjusted for the Transactions*	4.36x

(*) 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 NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(#) The data presented "*As Adjusted for the Transactions*" have been prepared by Optics. The preparation of such data involved applying specific adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information. These adjustments were made to reflect the effects of the Transactions, based on certain assumptions, including the expected outstanding debt of Optics as of the Acquisition Closing Date on a *pro forma* basis for the Acquisition.

(1) Cash and cash equivalents *As Adjusted for the Transactions* represents the cash and cash equivalents of the Optics Group after giving *pro forma* effect to the Transactions. This measure reflects the pro forma cash and cash equivalents of NetCo of €152 million. Cash and cash equivalents *As Adjusted for the Transactions* does not account for any potential cash in from TIM or Infratel related to the NRRP advance payments received by TIM at the end of 2023 nor does it reflect any adjustments to the Purchase Price including in connection with the outcome of Exchange Offers. In addition, Cash and cash equivalents *As Adjusted for the Transactions* does not take into account the payment of any transaction costs associated with the Transactions by Optics. Accordingly, the actual Cash and cash equivalents *As Adjusted for the Transactions* of the Optics Group at completion of the Acquisition will vary, potentially substantially, from the measure above for the foregoing and other factors.

(2) *Pro forma* Adjusted Net Financial Debt-AL *As Adjusted for the Transactions* represents Adjusted Net Financial Debt-AL after giving pro forma effect to the Transactions reflecting (i) a drawdown under the Senior Facilities Agreement of €3.5 billion on the assumption that the Initial Exchange is subscribed at the Total Cap amount and (ii) the principal amount of any Optics Notes expected to be issued pursuant to the Exchange Offers. For more information "*Description of certain other financing arrangements of the Optics Group*."

Note that the Pro Forma Adjusted Net Financial Debt-AL, *As Adjusted for the Transactions*, will not be impacted by the results of the Exchange Offers. If a principal amount of between €4.5 billion and €5.0 billion equivalent (the Total Cap amount) of Original Notes are accepted as part of the Initial Exchange with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes ($431 million) (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023), a drawdown of between €3.5 billion and €4.0 billion under the TLB (dependent on the principal amount of Optics Notes issued pursuant to the Acquisition Exchange). In the event that less than €4.5 billion equivalent principal amount of Original Notes are accepted as part of the Initial Exchange, Optics currently intends to draw amounts under the Bridge Facility Agreement for each incremental euro or US dollar below €4.5 billion equivalent principal amount of Optics Notes issued pursuant to the Acquisition Exchange which is required to complete the Acquisition. "*Summary—Optics Financing*." The Pro Forma Adjusted Net Financial Debt-AL, *As Adjusted for the Transactions*, does not account for any potential cash in from TIM or Infratel related to the NRRP advance payments received by TIM at the end of 2023 nor does it reflect any adjustments to the Purchase Price including in connection with the outcome of Exchange Offers.

(3) Pro forma Net finance expenses *As Adjusted for the Transactions* represents Net finance income/(expenses), after giving pro forma effect to the Transactions as if these transactions had occurred on December 31, 2023 assuming (i) the Initial Exchange is subscribed at the Total Cap amount, with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optcs Notes (€430 million) and each series of the USD Optics Notes ($431 million), respectively (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023) and (ii) an estimated hedged interest rate under the Senior Facility Agreement. The actual amounts accepted in each of the US Exchange and EUR Exchange may vary substantially, which would have corresponding impacts on the calculation of Pro Forma Net finance expense *As Adjusted for the Transactions* as if these transactions had occurred on December 31, 2023. *Pro forma* Net finance income/(expenses) is presented for illustrative purposes only and does not purport to be what the NetCo's interest expense would have actually been had these transactions occurred on the date assumed, nor does it purport to project the NetCo's interest expense for any future period or NetCo's financial condition at any future date.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider all of the information contained in this Exchange Offer Memorandum and each of the risks described below.

In this Section, unless specified otherwise, (i) references to the Original Notes, shall refer to both the EUR Original Notes and the USD Original Notes, (ii) references to the New Notes, shall refer to both the EUR New Notes and the USD New Notes (iii) references to the Optics Notes, shall refer to both the EUR Optics Notes and the USD Optics Notes and (iv) references to the Exchange Offers shall refer to both the EUR Exchange Offers and the USD Exchange Offers.

Some of the risks relate to the Transactions, to the Exchange Offers, to not tendering in the Exchange Offers, to the New Notes and the Optics Notes. Any of the following risks could, individually or in the aggregate, materially and adversely affect the TIM Group's and NetCo's businesses, financial condition and results of operations and the actual outcome of matters as to which forward-looking statements are made in this Exchange Offer Memorandum. Most of these risks are contingencies which may or may not occur and there is no guarantee regarding the likelihood of such events. As a result, prospective investors could lose some or all of their investment. The risks and uncertainties described herein are not the only ones that the TIM Group, NetCo and/or Optics face. It is not possible to identify all such factors or to determine which factors are most likely to occur. Although material risks affecting the TIM Group's and NetCo's businesses, after giving pro forma effect to the Transactions, have been identified and discussed below, there may be additional risks and uncertainties that are not presently known that may adversely affect the TIM Group's and NetCo's businesses, financial condition and results of operations in the future.

In addition, the TIM Group's, NetCo's and Optics' historical and pro forma historical financial performances may not be a reliable indicator of their future performance and historical trends should not be used to anticipate results or trends in future periods. This Exchange Offer Memorandum also contains forward-looking statements that involve risks and uncertainties. Actual results may materially differ from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Exchange Offer Memorandum. See "Forward-Looking Statements."

Risks Related to the TIM Group

Risks Related to the TIM Group's Business Activity and Industry

The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective.

The TIM Group's fixed and mobile telecommunications operations, in Italy and abroad, are subject to extensive, costly and evolving regulatory regimes. Changes in such laws and regulations, or failure by the TIM Group to comply with such laws and regulations could materially and adversely affect the TIM Group's business, financial condition, results of operations, reputation and prospects. 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, the Italian Communications Authority (*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. The regulatory framework in the telecommunications industry mainly targets wholesale network providers, while the regulation of retail markets has been largely withdrawn over time, with the exception of price tests on retail access offers (for telephone, broadband and ultrabroadband services).

Within this regulatory framework, the main risks the TIM Group 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 the TIM Group's business, results of operations 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).

New Market Analyses shall be periodically conducted by AGCOM in order to (i) deal with the evolution of market conditions and technology developments and (ii) set the rules for a subsequent regulatory period of up to five years (potentially extended to up to six years upon a AGCOM's specific application process to the European Commission). In addition, a specific Market Analysis shall be conducted each time a vertically integrated operator with SMP notifies a detailed delayering project pursuant to Article 89 of Italian Legislative Decree No. 259 of 2003 (*separazione volontaria da parte di un'impresa verticalmente integrata*), such as the one envisaged as part of the Transactions. On June 21, 2023, AGCOM called a public consultation concerning a scheme for a new Market Analysis aimed at regulating the period 2024-2028. A final draft was approved by AGCOM at the end of January 2024 and submitted to the Italian Antitrust Authority (*Autorità Garante della Concorrenza e del Mercato*) ("**AGCM**") for its opinion. Following the receipt of AGCM's opinion, the draft has been notified to the European Commission and made public. The final text of the Market Analysis is expected to be published in the first half of May 2024, following the receipt of the European Commission's comments. Although the TIM Group may contribute to public consultations promoted by AGCOM to update the regulatory framework applicable to its operations, there can be no assurance that AGCOM will take into account the TIM Group's comments and proposals, thus setting forth a regulatory framework applicable to its business which is not in line with the TIM Group's expectations.

On January 19, 2024, TIM notified AGCOM of its intention to proceed with a detailed delayering project. As TIM is an operator with SMP, the notification will trigger a new Market Analysis. Depending on the results of the Market Analysis, NetCo may be officially recognized by AGCOM as a "wholesale-only" operator within the meaning of Article 91 of Italian Legislative Decree No. 259 of 2003.

The TIM Group expects that the consummation of the Transactions will result in an improvement of the regulatory environment for the TIM Group in the Italian market (enabling it to compete on a level playing field with other market participants under applicable competition laws), such as the withdrawal of the obligations to apply retail access prices that are replicable by other competitors and to submit new retail access offers to AGCOM for prior approval that apply to the TIM Group ahead of the successful completion of the Transaction. However, although it seems reasonable to expect a specific AGCOM decision recognizing the consequences of the vertical separation a few months after the Acquisition Closing Date, it is currently uncertain whether and when AGCOM may grant such regulatory reliefs. See "*TIM Group Regulation*" and "*Summary—The TIM Group's Strategy*."

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 the TIM Group 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 a further degree of uncertainty with respect to rules and economic requirements.

The AGCM and AGCOM, under certain circumstances, may also intervene in the TIM Group'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 Brazil Business Unit is also subject to extensive regulation. Its international operations, therefore, face similar regulatory issues as the TIM Group faces in Italy, including the possibility for regulators to impose obligations and conditions on how the TIM Group 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, the TIM Group is unable to clearly predict the impact of any proposed or potential changes

in the regulatory environment in Italy, Brazil and its other international markets. Regulations in the telecommunications industry are constantly changing to adapt to new competition and technology. See "*TIM Group Industry Overview*" and "*—The TIM Group may be subject to increasing market competition*." Changes in laws, regulation or government policy could adversely affect the TIM Group's business and competitiveness. In particular, the TIM Group'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, revocation or renewal of its authorizations and public concessions, or those of third parties, could adversely affect its future operations in Italy and in other countries where the TIM Group operates.

Following the successful completion of the Transactions, there can be no assurance that the TIM Group will be able to deliver any or all of the related expected benefits of the Transactions from a business perspective.

Following the successful completion of the Transactions, the TIM Group expects, among other things, to be able to implement a strategic flexibility, compete on a level playing field among its peers and further benefit from organic and inorganic growth. However, the TIM Group may be unable to realize or capitalize on the anticipated benefits it expects to achieve from the successful completion of the Transactions. Failure to achieve or capitalize on such benefits could adversely affect its business, results of operations and financial condition. See "*Summary—The TIM Group's Key Strengths*" and "*Summary—The TIM Group's Strategy*."

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

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, the TIM Group has progressively evolved its positioning across its markets. Currently, the TIM Group is effectively operating in adjacent markets, with different levels of competition and different investment cycles, using specific commercial approaches and operating models. See "*TIM Group Industry Overview*" for further information. For the Italian market, the TIM Group has defined a specific strategy for the different areas of competition, which includes:

- Development of 5G solutions (with the support under the NRRP);
- In the Enterprise segment, which is characterized by stable growth and a change in the revenue mix with an increase in the weight of cloud, IoT and security services, the TIM Group's commercial strategy is focused on transitioning to advanced connectivity solutions and development of proprietary ICT services, products and solutions and strengthening the integrated approach to the ICT offer to large enterprises and public administrations; and
- In the Consumer and SMB segments, the TIM Group 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.

For the Brazilian market, the TIM Group aims at improving revenues and selective growth, while maintaining financial discipline. To achieve this goal, it seeks to strengthen its market position by leveraging mobile telephony to increase broadband usage and by exploiting opportunities arising from emerging technologies and customer behavior changes. In respect of its strategic efforts regarding broadband, it is seeking to increase its presence in the residential broadband market by investing significant efforts and resources to expand its footprint and the density of its fiber optic broadband service (FTTx), by providing a higher-speed fixed connection closer to the customer residence, under the brand TIM UltraFibra (formally TIM Live), and launching its fixed broadband service through mobile network where the TIM Group offers broadband through LTE or 4G or 5G wireless communication networks as a type of FWA. The provision of fiber optic broadband service is a highly capital-intensive business that brings a long-term return on investments and increases the risks to the TIM Group's operation. To mitigate such risk while boosting fiber infrastructure and market access, TIM Brasil created FiberCo and sought a strategic partner. After regulatory approvals, TIM Brasil acquired a controlling stake in FiberCo (now I-Systems), aiming to accelerate residential broadband growth and unlock

infrastructure value through an open network approach and focused operations. However, as a new business, residential broadband also brings new risks, particularly related to market response and customer behavior, that could negatively impact the use of the TIM Group's mobile network resources.

For more details of the TIM Group's existing market competition strategy, please see "*Summary—Key Strengths*" and "*Summary—The TIM Group's Strategy*."

On March 6, 2024, the TIM's board of directors approved the 2024-2026 Industrial Plan (the "**2024-2026 Industrial Plan**"), which contains the strategic guidelines and growth objectives of the TIM Group for the relevant period. In particular, pursuant to the 2024-2026 Industrial Plan, in order to mitigate regulatory constraints, and increase the focus on the markets it focuses on, the TIM Group has confirmed the Delayering Plan, pursuant to which it plans to transition to a more horizontal structure, divided into three business areas: (i) TIM Enterprise, dedicated to the segment of large Italian companies and the Italian public administration (and possibly further separate this business area into a standalone entity) (ii) TIM Consumer, to serve Italian households, individuals and small and medium-sized enterprises (iii) and TIM Brasil, which serves the Brazilian market.

For more details of the TIM Group's strategic objectives and the Delayering Plan, please see "*Summary—The TIM Group's Strategy*," and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group*." The TIM Group'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:

- an increase in the number of competitors in the telecommunications industry that could reduce TIM Group's market share;
- the TIM Group's ability to successfully compete on both price and innovation capabilities with respect to new products and services, including competition from mobile virtual network operators ("**MVNOs**"), which offer telecommunication services to customers by leasing network capacity from traditional network providers, without their own network infrastructure and global and local OTT providers which offer content and services using the Internet, without their own network infrastructure;
- a deterioration of the macroeconomic conditions affecting (also taking into consideration the impact of the current inflationary environment and energy crisis) the principal markets in which the TIM Group 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 the TIM Group operates, including the ability of the Italian government to exercise certain powers with respect to strategic transactions under the Italian Golden Power Legislation;
- the TIM Group's ability to develop and introduce new technologies that it considers attractive for its principal markets, to manage innovation, to supply value added services and to increase the use of its mobile networks;
- the TIM Group's ability to secure government subsidies and funds;
- the TIM Group's ability to obtain, maintain and renew necessary licenses and authorizations in a timely and cost-effective manner;
- controls and system technology failures, which could negatively affect the TIM Group's revenues and reputation;
- the introduction of transformative technologies that could be difficult for the TIM Group to keep pace with and could cause significant revenues decrease;
- the TIM Group's ability to operate efficiently and to refinance the TIM Group's debt as it comes due, particularly in consideration of political and economic conditions and uncertainties in credit and capital markets;

- the TIM Group's ability to most efficiently scale the TIM Group's structure;
- the TIM Group's ability to attract and retain qualified personnel;
- government policy and changes in the regulatory environment or legal frameworks;
- the TIM Group's ability to successfully implement its Internet and broadband and ultrabroadband strategy (especially with respect to FTTH in Brazil);
- the TIM Group's ability to successfully achieve its financial targets (including debt reduction);
- physical and/or cyber threats;
- the effect of exchange rate and inflation fluctuations;
- the impact of fluctuations in currency exchange, inflation, interest rates and the performance of the financial markets in general;
- the outcome of litigation, disputes and investigations in which the TIM Group is involved or may become involved, including those potentially arising in connection with the Transactions;
- large scale adverse events that could cause negative effects, requiring a long recover period, or even impact permanently the socioeconomic environment, such as natural disasters, political instability, or pandemics;
- the possibility of an increase in taxes by governments in order to balance their financial deficit;
- increasing demand on the TIM Group's system bandwidth to manage the continuous growth of mobile data traffic, which in turn requires further investments in infrastructure or the acquisition of additional spectrum frequencies in order to maintain network quality and prevent turnover, especially in big cities, where the population is highly concentrated and the costs of network expansion are considerably high;
- the TIM Group's ability to build up its business in adjacent markets and in international markets due to its specialist and technical resources;
- the TIM Group'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 the TIM Group's authorizations, goodwill or other assets;
- the TIM Group's ability to manage any business or operating model transformation plans;
- any difficulties which the TIM Group may encounter in its supply and procurement processes, including as a result of the insolvency or financial weaknesses of its suppliers;
- non-recurring events (see "*Management's Discussion and Analysis of Financial Condition and Results of Operation of the TIM Group*"); and
- the costs the TIM Group incurs due to unexpected events, in particular where its insurance is not sufficient to cover such costs.

The factors outlined above, individually or in the aggregate, could materially adversely impact the TIM Group's business, financial condition and results of operations. Accordingly, there can be no assurance that the business and strategic objectives identified by the TIM Group's management can effectively be attained in the manner and within the timeframes described. Furthermore, if the TIM Group is unable to attain its strategic priorities, or if a further deterioration of macroeconomic and geopolitical environments exacerbates financial market conditions in the form of

higher rates or wider credit spreads, and if the TIM Group is unable to sufficiently pass on any associated costs to its customers, its goodwill may be further impaired, which could result in significant write-offs.

The separation of NetCo from the TIM Group may be complex, could cause the TIM Group to incur unexpected uncertainties and costs.

In connection with the Transitional Services Agreement, the TIM Group on the Acquisition Closing Date will provide or procure certain transitional services to NetCo and NetCo will provide or procure certain transitional services to the TIM Group for a period of time sufficient to facilitate the transition to separate operations. For further information regarding the Transitional Services Agreement, please refer to "*Summary—The Transactions—Transitional Services Agreement*." Additionally, following the Transactions, the TIM Group will maintain access to NetCo's infrastructure through the Master Services Agreement. For further information regarding the Master Services Agreement, please refer to "*Summary—The Transactions—Master Services Agreement*." In light of these agreements, and based on their consequent contractual structures, the TIM Group could be subject to, among other things, (i) unexpected additional costs or adverse impacts on its business functions as a result of non-performance and/or underperformance by NetCo of its obligations under such agreements and/or (ii) potential liabilities during the period of the Master Services Agreement and the Transitional Services Agreement if it fails to deliver certain obligations to NetCo, each of which could adversely affect its business, financial condition and results of operations.

Following the successful completion of the Transactions, any deterioration of the relationship with, or in the financial condition of, NetCo could negatively impact the TIM Group's business, financial condition and results of operations.

In connection with the Transactions, the TIM Group will divest its ownership interest in NetCo. For further information, see "*Summary—The Transactions*." This divestment will transition the relationship between NetCo and the TIM Group into a new phase of commercial engagement. Pursuant to the Transaction Agreement, on the Acquisition Closing Date, the two parties will enter into the Master Services Agreement. For further information regarding the Master Services Agreement, please refer to "*Summary—The Transactions—Master Services Agreement*."

Pursuant to the Master Services Agreement, NetCo will, among other things, provide certain fixed-line wholesale access services to the TIM Group for an initial term of 15 years, with a renewal mechanism for an additional term. During such term, there can be no assurances that disputes will not arise between NetCo and the TIM Group. In the event of a dispute, any actions NetCo or the TIM Group could take, including the application of contractual penalties, to resolve the dispute could result in additional costs or lower revenues for the TIM Group. If a technological problem, such as any increase in traffic, a physical or cyber-attack or any other circumstances affecting the operations and reliability of NetCo's fixed-line network were to occur, the TIM Group would be unable to offer reliable and seamless fixed-line connectivity to its customers. This could in turn generate customer churn and materially and adversely affect the TIM Group's business, financial condition and results of operations.

As part of the Acquisition, TIM and NetCo will enter into the Master Services Agreement on the Acquisition Closing Date. A draft of the agreed form Master Services Agreement has been attached to the Transaction Agreement. However, it cannot be ruled out that changes to the language or content of the Master Services Agreement could be made in the future, including as required by applicable or regulation. Such amendments could affect the future business of the TIM Group, the Purchase Price and the pro forma financial information included in this Exchange Offer Memorandum, which have been calculated based on certain assumptions, including the economic conditions currently anticipated under the Master Services Agreement.

Following the successful completion of the Transactions, the TIM Group will acquire from NetCo certain fixed-line wholesale access services. Therefore, the TIM Group's costs and results of operations could be materially affected if NetCo, for any reason, fails to develop, maintain, repair, upgrade, protect and replace its existing fixed-line network in Italy in order to meet the needs of the TIM Group.

As part of the Transactions, the TIM Group will be transferring the NetCo Business to NetCo. Accordingly, following the successful completion of the Transactions, the TIM Group will continue to rely on the direct ownership of its mobile infrastructure, data centers, backbone and further equipment and infrastructure components that are not

included in the NetCo Business, but it will acquire fixed-line wholesale access services from NetCo to maintain its fixed offerings to its retail customers pursuant to the Master Services Agreement that the TIM Group and NetCo will enter into on the Acquisition Closing Date.

In the event NetCo (1) fails to develop, maintain, repair, upgrade, protect and replace its fixed-line network, (2) experiences a major disruption in its business, such as a strike, work stoppage or slowdown, a supply chain problem or a decrease in orders from other OLOs or (3) files for bankruptcy protection, the TIM Group's business, financial condition and results of operations could be materially adversely affected. Therefore, the loss of, or a significant reduction in, services offered by NetCo, the early termination of the Master Services Agreement, or other material operational or financial difficulties experienced by NetCo could materially adversely affect the TIM Group's business, financial condition and results of operations. For a detailed description of the risks associated with NetCo and its business, please see "*—Risks Related to NetCo*."

The TIM Group may be subject to increasing 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 industry in which the TIM Group operates, particularly from other licensed operators ("**OLO**") in the consumer segment (as described in "*Business of the TIM Group*" and "*TIM Group Industry Overview*"). 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 retail market, for example, the recent launch of Iliad has added an additional risk pressure to an already complex situation. In addition, potential consolidation between telecommunications operators in the Italian market could increase economies of scale for these telecommunication operators which could, in turn, lead to competitive pricing strategies that could have an impact to TIM Group's services and products.

In Brazil, the TIM Group faces competition throughout Brazil from many providers in the personal communications service ("**PCS**") market. The TIM Group also competes with providers of mobile telecommunication, voice over Internet protocol services ("**VoIP**") and landline telecommunications services, including from providers who bundle voice and data to its customers in a single offer. Due to this increasing competition, the TIM Group may incur higher advertising and commercial costs as it attempts to maintain or expand its market share. Other than the TIM Group, the following main competitors also hold authorizations to provide PCS with national coverage: Claro S.A., under the brand name "*Claro*" and Telefônica Brasil S.A., under the brand name "*Vivo*." Moreover, all PCS providers with national coverage offer third generation, or 3G, and fourth generation, or 4G, fifth generation, or 5G mobile telecommunications network technology, reducing differentiation amongst competitors. With the assets acquired from the Oi Movel S.A. by TIM, Vivo and Claro, the TIM Group believes that the likelihood of further consolidations in the Brazilian telecommunications market among the main competitors are remote, but if further consolidations driven by main competitors were to occur, those consolidations may favor their strategic advantage with increased market power and access to greater financial resources, thereby weakening the TIM Group's market position.

The TIM group also faces increased competition from other services outside the telecommunications industry. While technological changes, such as the development, roll out, and improvement of 4G and 5G mobile networks, may create new revenue streams, it also hinders traditional services and introduces additional sources of competition, for example, with services like VoLTE calls, messages and SMSs. These OTT communication apps are often free of charge (i.e. no subscription fee), accessible by smartphones and usually allow their users to have access to potentially unlimited messaging and voice services over the Internet, bypassing traditional and more profitable voice and messaging services. As a result, voice traffic is migrating to data. Offers from almost all competitors have started to include unlimited voice, thereby accelerating commoditization. Furthermore, very often OTT applications become so important to customers that they are bundled as zero-rated services, or OTT applications for which data usage is free. These and other factors, including the regulatory and tax asymmetry, are responsible for the increase in the competitive pressure are the TIM Group is facing in the mobile market. OTT application service providers also leverage existing infrastructures and generally do not operate capital-intensive business models associated with traditional mobile network operators like the TIM Group. Technological developments have led to significant improvements in the

services provided by OTT applications, particularly in speech quality delivered by data communications apps, thereby strengthening their positioning and relevance as competitors. In addition, providers with strong brand capability and financial strengths have turned their attention to the provision of OTT application services. In the long term, if non-traditional mobile voice and data services or similar services continue to increase to satisfy customers' needs and if the TIM Group is not able to address this competition, this could contribute to further declines in mobile MARPU as well as lower margins across many of products and services the TIM Group offers, thereby having a material adverse effect on its business, results of operations, financial condition and prospects. See "*—Continuing rapid changes in technologies could increase competition, reduce the usage of traditional services and require the TIM Group to make substantial additional investments*." The OTT service providers hold most of the content, the means to create it and the distribution channel. Together with these resources they dedicate themselves to creating new ways for their customers to interact with and consume content. As a result, it can be challenging for network operators, to design value-added services that are beneficial to customers. In addition to technological hurdles, the TIM Group may face other hurdles to offering value-added services, such as regulatory hurdles. Additionally, the TIM Group expects that the 3.5GHz rights that were acquired by regional providers may provide them with an opportunity to become mobile network operators. In addition, the new neutral network, which is proposed to be offered by Winity Telecom (the winner of the 700 MHz spectrum), may leverage mobile network capacity for ISPs, thereby allowing ISPs to extend their offerings to their current broadband customer base with bundle offerings, which may increase their competitive offering in the marketplace.

Given the current macroeconomic environment, the TIM Group is introducing price mechanisms for adjusting its offers to account for increased costs associated with the prevalent inflationary environment in which it operates 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 pursue price-based competition, resulting in the reduction of the TIM Group's market share and further pressure on price on the Retail market segment the TIM Group'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 the TIM Group, as it faces increased competition from providers of IT as well as OTT and other media platforms and devices. The telecommunications market is also experiencing consolidation and globalization, which may further intensify competition. See "*—Risks Related to Macroeconomic Conditions Affecting the TIM Group.*"

In addition, competition concerning innovative products and services in the TIM Group's Italian domestic mobile telephony and broadband and ultrabroadband businesses has led, and could further 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 the TIM Group 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 Brazil Business Unit could be impacted by the need for rapid development of technologies and infrastructures.

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

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

Although the TIM Group continues to take steps to realize 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 the TIM Group.

Customer churn, or the threat of customer churn, may adversely affect the TIM Group's business.

The TIM Group is exposed to the risk of customer churn. Customer churn is a measure of the number of customers who stop subscribing for one or more of its products or services. Churn may arise mainly as a result of competitive influences, the relocation of clients outside of the TIM Group network area and price increases that the TIM Group may put in place. In addition, customer churn may also increase if the TIM Group is unable to deliver satisfactory services over its network or if its local and regional advertisement strategies are not effective. For example, any interruption of its services, including the removal of certain services, which may not be under its control, or other customer service problems, could contribute to an increase in customer churn or inhibit its goal of reducing customer churn. Any increase in customer churn could have a material impact on the TIM Group's business, financial condition and results of operations.

The TIM Group is subject to credit risk with respect to its customers.

The TIM Group's operations depend to a significant extent on the ability of its customers to pay for its services. In Brazil, under Anatel regulations, the TIM Group is allowed to undertake certain measures to reduce customer defaults, such as restricting or limiting the services the TIM Group provide to customers with a history of defaults, whereas in Italy such similar regulated protection has not been implemented yet. If the TIM Group is unable to undertake measures to limit payment defaults by its subscribers or that allow it to accept new subscribers based on credit history, the TIM Group will remain subject to outstanding uncollectible amounts, which could have an adverse effect on its business, financial condition and results of operations.

The assumptions used in estimating savings targets components and steps as well as expected business and regulatory benefits are forward-looking in nature.

In this Exchange Offer Memorandum, the TIM Group presents certain forward-looking savings targets that the TIM Group expects to realize pursuant to the Transformation Plan and certain forward-looking business and regulatory benefits that the TIM Group expects to realize as a result of the successful completion of the Transactions and the implementation of the Delayering Plan. The assumptions used in estimating total savings, including the components of such estimates, and the steps to be taken to realize such savings as well as and the assumptions used in estimating the timing and the expected business and regulatory benefits from as a result of the successful completion of the Transactions and the implementation of the Delayering Plan are forward-looking in nature, inherently uncertain and subject to a variety of business, economic and competitive risks and uncertainties. It cannot be guaranteed that the information on which the TIM Group has based its estimates and assumptions will not change or that the TIM Group will be able to realize the cost savings or benefits that it believes possible based on these management's estimates and assumptions. See "*Summary—The TIM Group's Strategy*."

The TIM Group may face difficulties responding to new telecommunications technologies.

The wireless telecommunications market is experiencing significant technological changes worldwide, as evidenced by the following, among other factors:

- ongoing improvements in the capacity and quality of digital technology available in Brazil;
- shorter time periods between the introduction of new telecommunication technologies and subsequent upgrades or replacements;
- the development of user interface, or UI, and user experience, or UX, technology;
- the development of customer behaviors, particularly the migration of services from voice to data, requiring new planning models and accelerating the evolution of communications to increasingly occur on IP networks;

- the development of cloud solutions to provide platform as a service (PaaS), software as a service (SaaS), or infrastructure as a service (IaaS), in order to drive down costs;
- voice over LTE, known as VoLTE, which increases significantly the quality of voice calls and allows companies to traffic voice as data through their 4G networks;
- the expansion of 5G DSS technology, matched with the simultaneous management of multiple layers of legacy technology, such as GSM, 3G (Switch Off in Italy in 2H 2022), and 4G through different spectrum bands, which involves managing the LTE radio access network ("**RAN**"), sharing agreement among the TIM Group and other companies, which creates specific demands on bandwidth and performance, and takes advantage of network virtualization, distributed cloud at the wireless edge, and allows multiple logical networks to run on top of a shared physical network infrastructure, known as network slicing, for traffic control in a service-based architecture;
- the recent acquisition of the 100 MHz frequency nationally in the 3.5 GHz band, in addition to 40 MHz blocks in the 2.3 GHz band in the South and Southeast regions of Brazil (excluding São Paulo);
- the deployment of a new technology in mobile network called 5G standalone ("**5G SA**"), which requires unprecedented levels of automation across an end-to-end network to fulfil the needs of new services and applications. The 5G SA network needs to be flexible, programmable and distributable in nature, so that it can provide the necessary flexibility to reduce time-to-market and provide the greatest performance and efficiency gains. As a result of the development of 5G SA, products and services supplied by different providers can be more greatly differentiated as between competitors, as 5G SA better enables the provision of custom services, including, for example, services with very high throughputs and/or very low latencies;
- the widespread implementation, in the near future, of Embedded Subscriber Identity Module (e-SIM), technology, which is a small microchip built into phones as an alternative to the conventional physical SIM card, and which will enable the TIM Group's customers to switch faster to other providers, thereby increasing competition;
- the expansion of the IoT technology in all of its forms and applications, requiring the creation of new platforms enabling its operation in new areas of the value chain. Ecosystem IoT strengthening with new partnerships, using connectivity as an enabler to increase productivity and expand the monetization of customer base; and
- the acceleration in the use of artificial intelligence, or AI, and machine learning, in order to use resources more efficiently, reduce spending and increase agility.

The TIM Group business may be negatively impacted by restrictions on customer access to mobile phone financing.

Like other operators in the telecommunication industry, the TIM Group bases part of its strategy for attracting and retaining customers on mobile phone financing offered to its subscribers. Should consumers' access to mobile phone financing be more limited or more costly, in the future, for example, as a result of adverse financial market conditions in light of current inflationary market conditions or in the event of a recession, or a re-emergence of the COVID-19 pandemic causing lenders to tighten lending standards for consumer financing, consumers may be unable or unwilling to finance the purchase of handsets and other hardware from the TIM Group and so may delay their purchase of TIM Group's products or services, negatively impacting its sales, growth capacity and the generation of cash to cover the TIM Group's financial obligations.

Increasing data security requirements by financial institutions, certain other corporate customers and governmental entities may adversely affect the TIM Group's business and profitability.

The TIM Group is a provider of fixed-line and mobile retail services to a number of public and private financial institutions, government entities and corporate customers with data security requirements. These customers may continue to increase their data security requirements, and the TIM Group may be required to undertake additional investments in order to adhere to these enhanced data security requirements, such as by, for example, enhanced

encryption requirements, as well as evolving statutory and regulatory requirements, including obtaining and maintaining certain ISO certifications, improving access rights management systems and developing a corporate data encryption infrastructure. As a result, the TIM Group may incur additional capital expenditures to satisfy its data security requirements. These customers could be unsatisfied with the TIM Group's enhanced data security requirements and could terminate their contracts with the TIM Group. Such terminations could have a material adverse effect on the TIM Group's business, financial condition and results of operations.

The TIM Group depends on data centers operated by third parties and third-party cloud computing platforms, and any disruption in the operation of these facilities or platforms or access to the Internet would adversely affect the TIM Group's business.

The TIM Group's business requires the ongoing availability and uninterrupted operation of internal and external systems and services. The TIM Group has adopted new technology infrastructure solutions, which carries with it some risk to business continuity. With the adoption of cloud computing technology, key IT systems are being migrated to the public cloud. Despite cloud computing reducing some risks, such as delays in the supply of equipment by suppliers (like spare parts, servers, etc.), the adoption of cloud computing means that the control and responsibilities for the proper functioning of the systems are shared between the TIM Group and the third parties. In all cases the third parties will be responsible for the physical infrastructure, connectivity, energy supply, cooling and all the capabilities related to infrastructure availability. Depending of the cloud service type involved for any specific system (*e.g.*, for IaaS, PaaS, SaaS), other capabilities will be the responsibility of the third party, according to the principles of the shared responsibility model defined by the Cloud Security Alliance, and incorporated into TIM Group's contracts with the third-party providers These third-party providers may experience connectivity disruption, outages and other performance problems, which may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in customer usage and denial of service issues. As such, the TIM Group's success also depends directly on the continuity of the provision of computing capacity and the availability of connectivity between the cloud computing provider's data centers, including the connectivity with the TIM Group's data centers and internal networks. An intermittent failure or complete lack of connectivity or system availability, may cause interruption to the TIM Group's services, affecting its availability indicators as well as its revenue and reputation. Having data hosted on a public cloud also poses a risk to the TIM Group's ability to comply with data protection principles or law (such as the GDPR and LGPD (defined below)). As such, the TIM Group's success depends on its ability to certify that cloud providers are adopting security best practices, as well as complying with the terms of data protection laws in accordance with its contractually agreed terms.

The TIM Group may be subject to liability related to outsourcing certain functions to third-party service providers.

The TIM Group may be exposed to contingent liabilities due to outsourcing of certain functions to third-party service providers. For example, following the Transactions, the TIM Group will acquire fixed-line wholesale access services from NetCo to maintain its fixed offerings to its retail customers. See "*Summary—The Transactions*." Such potential liabilities may involve claims by third-party providers who claim that they are treated as direct employees as well as claims for secondary liability resulting from workplace injury, wage parity and overtime pay complaints. The TIM Group's financial condition and results of operation may be adversely affected in the event that a material portion of these liabilities are decided against it. In Brazil, the Supreme Court has declared the outsourcing of any company's main activities as legal, which indicates a probable favorable outcome regarding the matter. Regardless of the decision in Supreme Court, the TIM Group would be jointly liable with the service provider in connection with any violation of labor obligations related to the outsourced workers. If the contracting of third-party services is considered to involve the main activities of the company, it may be characterized as a direct employment, which would significantly increase the TIM Group's costs and as a result the TIM Group may be subject to administrative proceedings by the relevant labor authorities and may be required to pay fines to the third-party service providers. See also "*—Risks Related to the TIM Group's Business Activity and Industry—Following the successful completion of the Transactions, the TIM Group will acquire from NetCo certain fixed-line wholesale access services. Therefore, the TIM Group's costs and results of operations could be materially affected if NetCo, for any reason, fails to develop, maintain, repair, upgrade, protect and replace its existing fixed-line network in Italy in order to meet the needs of the TIM Group*."

The TIM Group relies on certain third parties to provide services to its customers and to support its operations. Any delay or failure by such third parties to provide their services or products, any increase in the prices they charge

the TIM Group or any decision not to renew their contracts with the TIM Group could cause delay or interruptions in its operations, which could damage its reputation and result in the loss of revenue and/or customers.

The TIM Group has important relationships with several suppliers of hardware, software and services that it uses to operate its network and systems and provide customer service. Further, it relies on various vendors to supply network equipment, mobile handsets and accessories necessary for its business It also uses many suppliers, particularly in relation to smartphones suppliers, software licenses providers and for deploying mobile telecommunications network. To achieve the transmission capacity and quality levels needed for its growing number of subscribers and their changing requirements, the TIM Group relies partly on electronic communications networks belonging to other operators and networks rolled out by certain local authorities, such as Fastweb, Open Fiber, A2A. In addition, following the Transactions, the TIM Group will acquire fixed-line wholesale access services from NetCo to maintain its fixed offerings to its retail customers. See also "*—Following the successful completion of the Transactions, the TIM Group will acquire from NetCo certain fixed-line wholesale access services. Therefore, the TIM Group's costs and results of operations could be materially affected if NetCo, for any reason, fails to develop, maintain, repair, upgrade, protect and replace its existing fixed-line network in Italy in order to meet the needs of the TIM Group*."

The TIM Group's primary suppliers are involved in the provision and deployment of fixed-line and mobile telecommunications network as well as the supply of mass-market product, such as smart devices and software licenses. Even though there are no constraints on the TIM Group in substituting these suppliers with other providers, any changes in macroeconomic conditions affecting the TIM Group or any other factors described in the "*Risk Factors—Risk Factors Related to the TIM Group*" section, individually or in the aggregate, could limit the TIM Group's ability to renew its existing contracts or substitute these suppliers with other providers on commercially reasonable terms, if at all. This could have a material adverse effect on the TIM Group's business, financial condition and results of operations.

One or more of the suppliers of the TIM Group may not be able to supply the products and/or services concerned. This could affect the TIM Group's ability to fully control its networks, offer high quality services and conduct its operations, or could lead to additional costs, each of which could have a material adverse impact on the TIM Group's business, financial condition and results of operations.

The TIM Group also hires a number of subcontractors to maintain its network, operate its call centers and supply, install and maintain the terminals set up at its customers' homes. Even if the TIM Group works with a limited number of subcontractors which it carefully selects and closely monitors, it cannot guarantee that their tasks are properly carried out and fully compliant with the quality and safety standards it requires or that they tasks will not be further assigned to other third-party contractors. In the event that hardware or software products or related services from or by third-party contractors are defective, or if the tasks assigned to its subcontractors are not properly carried out, it may be difficult or impossible to enforce recourse claims against suppliers or subcontractors, especially if warranties included in contracts with suppliers or subcontractors are exceeded by those in the TIM Group's contracts with customers, in individual cases, or if the suppliers or subcontractors are insolvent, in whole or in part. In addition, this would damage the TIM Group's relationships with its customers and the reputation of its brands.

There can be no assurance that the TIM Group will be able to obtain the hardware, software and services it needs for the operation of its business, in a timely manner, on competitive terms and in adequate amounts, or at all. The occurrence of any of these risks may create technical problems, damage its reputation, result in the loss of customers and have a material adverse effect on its business, financial condition and results of operations.

Additionally, the TIM Group has entered into long-term contracts for television content 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, are subject to a number of risks and uncertainties which include, among others, market dynamics, decisions 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 remain within reasonably predictable ranges. In the past, the TIM Group has faced risks relating to its internal control procedures with respect to complex contracts and it may face similar risks in the future. For example, in the year ended December 31, 2023, the TIM Group recorded significant provisions for contractual risks for onerous contracts. See Note 22 to the 2023 TIM Audited Consolidated Financial Statements for further information. Not all of the factors mentioned are under the TIM Group's control could therefore have a significant impact on future forecasts regarding

the performance of the contracts, the estimated margin amount (positive or negative) and/or the cash flows that will be generated.

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

The TIM Group, like other operators, faces increasing competition from non-traditional data services with respect to new voice and messaging OTT 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 mobile network operators like the TIM Group. In Italy and Brazil, an increasing number of customers are using OTT applications services instead of traditional voice and SMS communications.

Historically, the TIM Group 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 on the TIM Group’s operating results and financial position.

If non-traditional voice and messaging data services continue to increase to satisfy customers’ needs and the TIM Group is unable to address such competition, its ARPU could decline and the TIM Group would face lower margins across many of its products and services, resulting in a material adverse effect on the TIM Group’s operating results and financial position.

Changes in competitive offerings for content, including the potential rapid adoption of piracy-based video offerings, could adversely impact the TIM Group’s business.

The market for content is intensely competitive and subject to rapid change. Through new and existing distribution channels, consumers have increasing options to access entertainment video, sports and other content. The various economic models underlying these channels include subscription, transactional, ad-supported and piracy-based models. All of these have the potential to capture meaningful segments of the content market. Piracy, in particular, threatens to damage the TIM Group’s business, as its fundamental proposition to consumers is so compelling and difficult to compete against: virtually all content for free. Furthermore, in light of the compelling consumer proposition, piracy services are subject to rapid global growth. Traditional providers of content, including broadcasters, as well as Internet-based e-commerce or content providers are increasing their Internet based offerings. Several of these competitors have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may secure better terms from suppliers, adopt more aggressive pricing and devote more resources to product development, technology, infrastructure, content acquisitions and marketing. New entrants may enter the market or existing providers may adjust their services with unique offerings or approaches to providing content. Companies also may enter into business combinations or alliances that strengthen their competitive positions. If the TIM Group is unable to successfully or profitably compete with current and new competitors, its business will be adversely affected, and it may not be able to increase or maintain its market shares, revenues and/or profitability.

The TIM Group may be adversely affected if it fails to successfully implement its Internet and 4.5G/5G Next Generation Mobile Networks strategy.

With the continuing development of Internet and broadband services, and due to the use of public funds linked to NRRP, the TIM Group aims to increase the use of its networks to offset the continuing decline of traditional voice services. However, the TIM Group’s ability to successfully implement this strategy may be negatively affected if:

- broadband mobile coverage does not grow as the TIM Group expects;
- competition grows to include players from adjacent markets or technological developments introducing new platforms for Internet access and/or Internet distribution;

- the TIM Group is unable to provide superior broadband connections and broadband/mobile services relative to its competitors;
- delays in obtaining the necessary permits, concessions and authorizations (including spectrum concessions and any required permits in relation to environmental, urbanistic, building permits, expropriation, zoning and fire prevention matters) occur or the TIM Group's is unable to ensure continued compliance with the requirements set forth by such permits;
- delays in the procurement of materials and devices occur due to possible supply shocks;
- the TIM Group experiences network interruptions or related capacity problems with network infrastructure; or
- the TIM Group is unable to obtain adequate returns from the investments related to its network development.

In addition, the implementation of 4.5G/5G technologies is dependent on a number of factors, including the availability and selection of cutting-edge technology from the TIM Group's network/platforms and device vendors. If the TIM Group fails to achieve its objectives for the implementation of 4G/5G 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 TIM Group's strategy and, accordingly, the TIM Group's business, financial condition and results of operations. In particular, any delays in NRRP tenders or related activities are subject to predetermined penalties, which could be significant and, could result in the overall revocation of the grant awarded to the TIM Group.

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

The TIM Group 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 National Strategic Hub (*Polo Strategico Nazionale)*, in which the TIM Group holds a 45% equity interest, was recently established, dealing with the design, preparation, fitting out and management of infrastructure for the supply of cloud services and solutions for Italian local and national public administrations.

TIM anticipates that the competition in this market will intensify as new players, particularly telecommunications operators collaborating with IT operators, enter the market. See "*—The TIM Group may be subject to increasing market competition*."

The TIM Group's business may be adversely affected if it fails to successfully implement its ultrabroadband mobile access network strategy.

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

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

- delays in receiving the necessary permissions and authorizations for installation of lines;
- delay in supplying of material and devices due to possible supply chain shocks; and
- increase in transport, raw materials and labor cost of network companies due to inflationary pressures and increase in energy costs (see "*—Risks related to Macroeconomic Conditions Affecting the TIM Group*").

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

Delays in NRRP tenders or in completing roll outs are subject to predetermined penalties, which can be significant and could result in the overall revocation of the awarded grant.

The TIM Group's business depends on upgrading its existing networks.

The TIM Group must continue to maintain, improve and upgrade its existing mobile networks in Italy and Brazil, 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 the TIM Group's existing networks depends on its ability to:

- upgrade the functionality of its networks to offer increasingly customized services to its customers;
- increase coverage in some of its markets;
- expand and optimize customer service, network management and administrative systems;
- expand the capacity of its existing 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, the TIM Group'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 the TIM Group 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 factors are not entirely under the TIM Group's control and may be affected by, among other things, applicable regulation. If the TIM Group 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.

The TIM Group's capital expenditures may not generate a positive return.

The businesses in which the TIM Group operates, even after the completion of the Transactions, are capital intensive. See "*—The TIM Group's business depends on upgrading its existing networks*." Significant capital expenditures are required to add customers to its networks, including expenditures for equipment and labor costs as well as for the acquisition and extension of various operating licenses. The TIM Group employs a proactive capital expenditure strategy aimed at supporting its business as a telecommunications operator (*e.g.*, rolling out mobile networks and purchasing spectrum in the markets) and establishing its commercial presence (through physical stores). The TIM Group's strategy is also designed to enhance its subscriber relations (by communicating through all media including video calls and virtual assistance) and to develop new products and services. However, it cannot be assured that the TIM Group's future upgrades will generate a positive return or that the TIM Group will have adequate capital available or will be able to access debt financing on commercially reasonable terms, if at all, to finance such future upgrades. Mobile network rollouts in Italy and Brazil remain the TIM Group's largest priority. If the TIM Group is unable to, or elects not to, pay for costs associated with expanding or upgrading its mobile network or making other planned or unplanned capital expenditures, this could have a material adverse on the TIM Group's business, financial condition and results of operations. The TIM Group has based its estimates on assumptions that may prove to be inaccurate, and it could use its capital resources sooner than it currently expects, or its business plan may change as a result of a number of factors currently unknown to it.

The TIM Group's business may be affected by an unpredictable instant increase of traffic.

Unpredictable instant and massive increases of traffic due to, for example, live video events broadcasted over the IP network from an OTT and/or CSP could materially affect the TIM Group's overall mobile network performance, causing slowdowns or momentary blockages of communications with consequences on reputation and customer satisfaction.

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

The TIM Group's success largely depends on the continued and uninterrupted performance of its IT, network systems and of certain hardware and data centers that it manages for its clients. In addition, the TIM Group'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.

The TIM Group's technical infrastructure, including its network infrastructure for mobile telecommunications services, and the assets managed on behalf of clients, are vulnerable to damage or interruption from technology failures, power loss, floods, windstorms, heatwaves, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at the TIM Group's facilities, system failures, hardware and software failures, computer viruses and cyber-attacks (including information theft, data corruption, operational disruption or financial loss associated with the foregoing) 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 the TIM Group's levels of customer satisfaction, reduce its customer base and harm its reputation.

The TIM Group 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.

The TIM Group's businesses are subject to cybersecurity risks.

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

Despite efforts to modernize its network and replace outdated systems, the TIM Group's networks and systems are vulnerable to security threats, including cyber-attacks from internal and external sources. The cyber security attacks may be committed third parties operating in any region, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective. These attacks can disrupt service availability and compromise data, posing a significant risk to the TIM Group's reputation as a provider of critical national infrastructure. The TIM Group works to prevent and limit the impact of cyber-attacks, but an absolute protection cannot be guaranteed. However, the TIM Group or its third-party providers and other contractors cannot assure that they will be successful in protecting customers' personal data and other data that is stored on the TIM Group system and their systems.

To address these risks, the TIM 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. The TIM Group has adopted ISO 27001 standard best practices and certified in November 2022. The TIM Group has also strengthened security measures related to remote access and teleworking in response to the COVID-19 pandemic and the Russia-Ukraine conflict.

Moreover, in order to prevent any impacts and in line with the provisions of the National Cyber Security Perimeter (NCSP – *Perimetro di Sicurezza Cibernetica Nazionale*), the TIM Group was requested by the Computer Security Incident Response Team (a structure set up at the *Agenzia per la Cyber Sicurezza Nazionale*, which among other things, issues early warnings, cyber bulletins and disseminates information to interested parties regarding cyber risks) to raise the level of attention, adopting as a priority some mitigation actions including:

- verification of the consistency and offline availability of the backups necessary for the recovery of the core business services in particular;
- increase in monitoring and logging activities;
- creation, updating, maintenance and periodic exercise of incident response capabilities, business continuity and resilience plans;
- availability of key personnel;
- particular attention to cloud environments;
- prioritization of patching activities;
- monitor service and administration accounts for anomalous activity;
- network traffic monitoring to analyze anomalous peaks; and
- increasing the ability to protect e-mail infrastructures against spear-phishing activities.

Furthermore, in order to partially mitigate any economic-financial impact deriving from cyber-attacks, the TIM Group has structured a specific financial risk transfer policy through dedicated insurance coverage.

The inability to operate the TIM Group networks and systems as a result of cyber-attacks, even for a limited period of time, may result in significant expenses and a loss of market share to other communications providers. The costs associated with a major cyber-attack could include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cyber-security measures and the use of alternate resources, lost revenues from business interruption and litigation. A major security incident or business interruption, or non-compliance with applicable laws and regulations (including those establishing the NCSP) could result in financial loss, reputational damage, market share loss and regulatory sanctions. Further, as cyber-attacks continue to evolve, and also in light of any further obligation imposed on the TIM Group as a result of its inclusion in the NCSP, the TIM Group may incur significant costs in the attempt to modify or enhance the TIM Group's protective measures or investigate or remediate any vulnerability. Any loss of confidential or proprietary data through a breach could have a material adverse effect on the TIM Group's business, financial condition, results of operations and prospects. Pursuant to the applicable data protection regulations, if a significant or widely publicized unlawful disclosure of employee or customer data were to occur, whether as a result of a failure of the TIM Group's information technology security systems, employee negligence or the actions of its vendors, the TIM Group may be subject to legal claims by individuals, fines or other enforcement action. *See* "*—The TIM Group's activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code*."

Future partnerships or joint ventures that the TIM Group enters into may not bring the expected financial results and could cause harm to its image as well as financial costs.

The TIM Group may enter into relationships with other businesses in order to expand the TIM Group's platform, which could involve preferred or exclusive licenses, additional channels of distribution, or discount pricing or investments in other companies. Negotiating these transactions can be time-consuming, difficult and expensive, and the TIM Group's ability to close these transactions may be subject to third-party approvals, such as government regulatory approvals, which are beyond its control. Consequently, the TIM Group can make no assurance that these transactions, once undertaken and/or announced, will close.

Furthermore, the TIM Group's established partnerships are subject to common litigation risks and the TIM Group can make no assurance that these established partnerships or future partnerships will not become involved in any type of dispute. The TIM Group may also be required to initiate litigation to protect its interests.

The TIM Group has entered and may enter into strategic transactions, such as acquisitions, investments or dispositions, involving unforeseen risks, and it may not realize the financial and strategic goals that were

contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions.

As part of TIM Group's business strategy, it pursues strategic and opportunistic acquisitions, investments and dispositions, including the Transactions, any of which could be material to its financial condition or results of operations. The TIM Group cannot guarantee that it will be able to continue making such acquisitions, investments and dispositions and its ability to enter into these transactions may be limited by many factors, including availability of financing, complex ownership structures among potential targets and government regulation and competition from other potential acquirers. In addition, if the purchase price is paid in cash, it will reduce the TIM Group's cash reserves. Further, the TIM Group's debt burden may increase if it borrows funds to finance any future acquisition or investments, which could have a negative impact on its cash flows and its ability to finance its overall operations and make cash interest payments on its outstanding indebtedness. Even if the TIM Group is successful in acquiring new businesses or disposing existing business, the integration of such businesses may prove to be more difficult than it initially anticipated and could create unforeseen operating difficulties and expenditures. For example, in 2022, the TIM Group acquired Oi, which it expects will add strategic value to the TIM Group's portfolio of businesses. However, the TIM Group cannot assure that any benefits will materialize, and it may suffer losses in connection to the used funds and to the opportunity costs related to such transactions.

Additionally, acquisitions and investments pose certain risks, such as (i) identifying acquisition, partnership and joint venture targets, competition from competitors targeting the same acquisition or investment, difficulties or delays in consolidating operations and achieving anticipated synergies, cost savings, revenues and cash flow enhancements, growth, operational efficiencies and other benefits (ii) diversion of managerial resources away from its day-to-day business operations and (iii) potentially dilutive issuances of equity securities to the extent that it issues new shares to fund an acquisition; and the assumption of unexpected liabilities and undisclosed risks.

Furthermore, certain contracts of the TIM Group contain "change of control" provisions that require the acquired or acquiring company to notify the counterparty of a potential change of control, or contain language that could be interpreted as allowing, subject to certain conditions, the counterparty to terminate the contract. If a substantial number of these contracts are or will be terminated as a result of a potential acquisition or disposition, the TIM Group may be forced to enter into new contracts on less favorable terms, or it may be unable to secure replacements. While the TIM Group strives to mitigate unexpected liabilities and risks through contractual protections in its acquisition and disposition documentation, it cannot ensure that such protections will be effective. If the TIM Group enters into an acquisition or disposition agreement, but the acquisition or disposition is not consummated, the TIM Group may be liable for break-up fees or other payments, which may be material.

Goodwill impairments may be required in relation to acquired businesses.

The TIM Group has recorded a significant amount of goodwill. As of December 31, 2023, after giving *pro forma* effect to the Transactions, its total goodwill, which represents the excess of the cost of acquisitions over interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed, amounted to €11,467 million, representing 23.5% of its total assets. The TIM Unaudited Pro Forma Financial Information does not reflect the final attribution of goodwill by the TIM Group to the NetCo Business, following the application of the applicable IFRS accounting principles, such as IAS 36 (Impairment of Assets), at the Acquisition Closing Date and after the final determination of the relative values of the business disposed of and the portion of the cash generating unit retained (or other method to better reflect the goodwill associated with the operation disposed of). Additionally, the TIM Group has made business acquisitions in the past and may make further acquisitions in the future. See "*—The TIM Group has entered and may enter into strategic transactions, such as acquisitions, investments or dispositions, involving unforeseen risks, and it may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions.*" It is possible that the goodwill which has been attributed, or may be attributed, to these businesses may have to be written down if the valuation assumptions are required to be reassessed as a result of any deterioration in the underlying profitability, asset quality and other relevant matters of the businesses. According to the relevant IFRS accounting standard, impairment testing in respect of goodwill is performed annually, or more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Accordingly, there can be no assurances that the TIM Group will not have to write down the value attributed to goodwill in the future, which would adversely affect its results and net assets.

The TIM Group is dependent on intellectual property rights, particularly trademarks, logos and domain names, and inadequate protection of its intellectual property rights, or intellectual property rights litigation, could adversely affect its business.

The TIM Group relies on its trade names, trademarks, logos, domain names, copyrights, patents and trade secrets, as well as licenses and other agreements with its vendors and other parties, to use its technologies, conduct its operations and sell its products and services. The TIM Group relies upon a combination of copyright, trademark and patent laws to establish and protect its intellectual property rights, but it cannot be assured that the actions the TIM Group has taken or will take in the future will be adequate to prevent violation of its proprietary rights. The TIM Group cannot assure that measures taken in Italy, Brazil and elsewhere to protect its intellectual property rights, particularly its trademarks, logos and domain names, will be effective or that third parties will not infringe or misappropriate its intellectual property rights. There can be no assurance that litigation will not be necessary to enforce its trademark or proprietary rights, such litigation may be costly, and could ultimately be unsuccessful in enforcing its intellectual property rights. Any of these factors could have a material impact on the TIM Group's business, financial condition and results of operations.

The TIM Group operates in an industry characterized by frequent disputes over intellectual property. Its competitors may engage in hostile intellectual property action. Given the evolving high-tech nature of its business, the TIM Group has set up mechanisms to comply with all intellectual property laws to which it is subject, but there can be no assurance that the TIM Group is not infringing, or will not infringe, the intellectual property rights of third parties. As the number of convergent product offerings and overlapping product functions increase, the possibility of intellectual property infringement claims against it may correspondingly increase. Any such claims or lawsuits, whether with or without merit, could be expensive and time consuming to defend, could cause the TIM Group to cease offering its licensing services and products that incorporate the challenged intellectual property, or could require it to develop non-infringing products or services, if feasible, which could divert the attention and resources of technical and management personnel as well as substantial capital resources. In addition, it cannot be guaranteed that the TIM Group will prevail in any litigation related to infringement claims against it. A successful claim of infringement against the TIM Group could result in a requirement to pay significant damages, cease the development or sale of certain products and services that incorporate the challenged intellectual property, obtain licenses from the holders of such intellectual property, which may not be available on commercially reasonable terms, or otherwise redesign those products to avoid infringing upon others' intellectual property rights.

The complexity of the TIM Group's governance structure could influence, delay or hinder strategic and management decisions.

The TIM Group's governance structure is complex, in part due to the large diffusion of its shareholding which is subject to continuous change. As a result of this complexity, it is possible that the TIM Group's strategic and management decisions could be influenced, challenged, delayed or hindered, which may adversely affect its operating results and financial condition. See "*Business* of *the TIM Group—Legal Proceedings and Disputes*" for further information.

As of December 31, 2023, the largest shareholders in TIM are Vivendi and Cassa Depositi e Prestiti S.p.A., which hold 23.75% and 9.81%, respectively, of TIM's outstanding ordinary shares.

Failure to meet stakeholders' Environmental, Social and Governance ("ESG") expectations as well as increasing ESG regulatory requirements, may lead to reputational loss, loss of business or limit access to sustainable finance as well as to the imposition of fines and other regulatory constraints. Operational and financial costs and cost of capital associated with enhancing ESG performance may be significant.

The TIM Group's operations and value chain have negative environmental impacts, in particular in terms of greenhouse gas ("**GHG**") emissions and of electronic waste ("**e-waste**"). The majority of the TIM Group's 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 subject to increasing requirements and expectations from its 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 data centers and extending the lifetime of electronic devices. Compliance with such requirements may lead to increased operational and financial costs and cost of capital 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; the risk that external environmental condition can pose for business continuity could increase the weighted average cost of capital (WACC). Failure to implement circular business models such as offering of products and services 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. Increasing electricity prices, the availability of renewable energy certificates or the possible introduction of carbon taxation could also increase operational costs for the TIM Group.

Moreover, there is a global trend towards ESG-related financial disclosure. Several number of countries have established mandatory disclosure regimes and/or set timelines for the implementation of legislation regarding mandatory climate, social and governance related disclosure requirements. For example, the European Commission has established a number of sustainability-related reporting and compliance regimes, including the Non-Financial Reporting Directive and the Corporate Sustainability Reporting Directive, which will enhance the scope and reporting requirements under the Non-Financial Reporting Directive, as well as proposals for new regulatory regimes that are aimed at, for example, prohibiting corporates from placing or making available on the EU market or exporting from the EU market products made with forced labor; requiring companies to identify, prevent, bring to an end, mitigate and account for adverse human rights and environmental impacts in operations, subsidiaries and value chains; and enhancing gender pay reporting requirements. The sustainability reporting shall comply with the EU Sustainability Reporting Standards ("**ESRS**"), which will increase mandatory reporting requirements. The ESRS will require to disclose information aligned with the EU Taxonomy (2020/852/EU) as well as climate-related information in line with the recommendations of the Task Force on Climate-Related Disclosure. Potentially, the failure to adopt criteria aligned to the EU legislation on Taxonomy could have impacts also on the sources of financing.

Failure to meet regulatory and stakeholders' requirements or expectations regarding ESG topics may lead to reputational loss, loss of business or limit access to sustainable finance as well as to the imposition of fines and other regulatory constraints. Increasing electricity prices, the availability of renewable energy certificates or the possible introduction of carbon taxation could increase operational costs for the TIM Group.

For further information see "*Business of the TIM Group—Sustainability of the TIM Group*."

Failure to close the digital divide may adversely affect the TIM Group's business, financial condition and results of operations.

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

The TIM Group is highly committed to promoting digital inclusion and has engaged in, among other things, NRRP tenders, such as those for Connected Schools and Digital Health or the National Strategic Hub project aimed at strengthening the digitalization of the Italian public administration services.

The TIM Group 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 implement the TIM Group's strategy to address the digital divide may lead to a reputational damage and revenue losses, which could adversely affect the TIM Group's business, financial condition and results of operations.

Any changes in the TIM Group's directorship and/or senior management could adversely affect the TIM Group's business.

The TIM Group may face difficulties in realizing its strategic goals, such as executing its 2024-2026 Industrial Plan, the Delayering Plan and the Transformation Plan alongside making necessary adjustments required following, and as a result of, the Transactions. Maintaining consistent directorship and leadership may ease the transition into this new business phase. However, any changes in the TIM Group's directorship and/or senior management could disrupt this continuity, potentially leading to delays, interruptions or deviations in the execution of the TIM Group's strategic plans.

It is currently expected that on April 23, 2024, the shareholders' meeting of TIM will convene to resolve, among others, on the appointment of a new board of directors of TIM (the "**New Board**"). There can be no assurance that the New Board will not face (i) hardships in executing the TIM Group's strategic plan and its various objectives and/or (ii) difficulties in operating the TIM Group's business following the completion of the Transactions. The New Board may be unable to effectively direct the new business or navigate through the goals and objectives of the 2024-2026 Industrial Plan and/or the Delayering Plan. If the New Board fails to implement or deviates from any aspect of the TIM Group's strategic plan, this could have a material adverse effect on the TIM Group's business, financial condition, results of operations and cash flows.

Failure to recruit, retain and engage skilled employees may adversely affect the achievement of strategic objectives.

The TIM Group's ability to attract and retain qualified, specialized and motivated personnel is a key success factor in the pursuit of strategic objectives and in maintaining customer satisfaction.

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

Risks Related to Macroeconomic Conditions Affecting the TIM Group

The TIM Group operates in multiple jurisdictions and is exposed to a variety of macroeconomic factors, which may impact its operating results and financial position.

The TIM Group's international presence enables the diversification of its activities across various countries, but it also exposes the TIM 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, particularly in the key markets in which the TIM Group operates (Italy and Brazil) including exchange rate or sovereign-risk fluctuations, as well as growing geopolitical tensions, may adversely affect the TIM Group's operating results and financial condition and/or may hinder the TIM Group's cost saving objectives set out in the Strategic Plan.

Fluctuations in currency exchange and interest rates and the performance of, or any adverse changes in, the financial markets in general may adversely affect the TIM Group's results.

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

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

- Italy: as of December 31, 2023, €40,769 million (83.7% of total non-current operating assets); and

- Outside of Italy: as of December 31, 2023, €7,917 million (16.3% of total non-current operating assets). Non-current operating assets outside of Italy are primarily denominated in BRL.

The TIM Group 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 BRL) may adversely affect its consolidated results. A rise in the value of the Euro relative to other currencies in certain countries in which the TIM Group 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 and financial position.

In addition, the TIM Group has raised, and may raise an increasing proportion, financing in currencies other than the Euro (principally U.S. dollars and BRL). In accordance with its risk management policies, the TIM Group 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.

The TIM Group aims to minimize the impact of negative interest, in part by hedging its exposure to negative interest through the use of derivatives instruments. Any changes in interest rates that have not been adequately hedged by derivative contracts may result in increased financial liabilities in connection with the TIM Group'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 the TIM Group operates, may affect the value of its assets in such countries.

The TIM Group 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 the 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 risks associated with the financial markets that it is exposed to and, more specifically, risks associated with deviations in the stock price of the TIM Group's subsidiaries. Such risks can have a negative impact on the financial results and structure of the TIM Group.

Financial markets may also suffer from adverse macroeconomic conditions. During 2021 and 2022, uncertainty surrounding global growth rates, the impact of the COVID-19 pandemic and the Russian-Ukraine military conflict have affected companies' access to the credit markets, leading to higher borrowing costs for funding ongoing operations. While the TIM Group may prove to be successful in accessing the credit and fixed income markets when needed, adverse changes in the financial markets could render it able to access these markets only at higher interest costs and with restrictive financial or other conditions, severely affecting its business operations. Additionally, downgrades of its credit rating by the major credit rating agencies could increase its cost of borrowing and also impact the collateral the TIM Group would be required to post under certain agreements it enters, which could negatively impact its liquidity.

Therefore, in order to manage such risks, the TIM Group has established the guidelines for operational management, identification of the financial instruments most suitable to meet the objectives set and monitoring the results achieved. In particular, and in order to mitigate liquidity risks, the TIM Group aims to maintain an "adequate level of financial flexibility," in terms of cash and committed syndicated credit lines in order to cover its financing needs for 12-18 months, at minimum.

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's business, financial condition, results of operations and prospects.

Global economic conditions and political events could adversely affect the TIM Group's business, results of operations and financial condition.

The TIM Group's operations are influenced by global geopolitical events, including the ongoing Russia-Ukraine conflict and the recent military tensions between Hamas and Israel. These situations have indirect yet tangible effects on the TIM Group's business, primarily through increased costs in energy, raw materials and transportation.

At the moment the impact of the geopolitical situation on the TIM Group's business is of an indirect nature, primarily associated with the increase in costs of energy, materials and transportation. This geopolitical situation has contributed to a general rise in energy prices. In particular, for the TIM Sparkle entities (part of the TIM Group) that operate in areas impacted by the Ukraine-Russia conflict, there have been no significant repercussions in commercial relations, in the demand for international services from areas affected by the conflict and in the substantially regular collections of trade receivables. The TIM Group's assets in affected countries are not significant. The increase in energy prices has also led to an increase in inflation and ultimately in the cost of financing. Further, the Ukraine-Russia conflict may involve cyber-attacks against countries that support economic sanctions against Russia. The TIM Group, in coordination of the National Cybersecurity Agency ("**ACN"**), have raised the alert level of ICT monitoring for cyber security risks has implemented the technical indications from ACN.

The recent outbreak of an armed conflict between Hamas and Israel in early October 2023 presents a risk of regional escalation in the Middle East. Although the TIM Group does not engage in operations within Middle Eastern countries, the duration, ramifications and outcome of this conflict are highly uncertain. Potential short- or long-term consequences may include economic sanctions, economic and political instability, rising inflation and energy costs, supply chain disruptions and negative impacts on currency exchange rates and financial markets.

More generally, escalating geopolitical tensions, either in Europe or worldwide, could affect the TIM Group's operations, including the safety and security of its employees and the integrity of its network operations. These events, individually or in the aggregate, could materially and adversely affect the TIM Group's business, financial condition, results of operations and prospects.

There is a risk that Italy's economic growth in 2024 will experience a slowdown.

In the fourth quarter of 2023, Italy's gross domestic product expanded by 0.2% with respect to the previous quarter and by 0.6% compared to the fourth quarter of 2022. In 2023, Italy's gross domestic product at current prices grew by 6.2% compared to the previous year. The prospects for comparable growth in 2024 will hinge on Italy's employment growth, the deceleration of expansion and a partial increase in salaries.

A significant slowdown in Italy's economic growth could impact the demand for telecommunications products and services in Italy, which could have an adverse effect on the TIM Group's business, financial condition and results of operations.

The inflationary pressure and rising input and borrowing costs may cause a slowdown in Italy's employment rate and ultimately in the TIM Group'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 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 during the course of 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 the measures.

Labor 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. Overall, the unemployment rate, which as of December 31, 2023, was around 7.2% is expected to slightly rise over the next two years.

The Italian government's interest expenditure increased in 2021 by €5.5 billion due to higher bond yields on its debt, although the interest expenditure relative to GDP remained stable at 3.5%, and there is a need to reduce the country's general government debt-to-GDP ratio, which reached 172.5% in 2022. As a result, the Italian government's financial

maneuvering room will be very limited in the coming years, especially if European-level agreements on returning to fiscal discipline are implemented.

The above factors are affecting the spending capacity of the TIM Group'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 TIM Group's revenue and/or profit.

The economic outlook in Brazil is uncertain and any downturn in economic conditions in Brazil may have an adverse impact on the TIM Group's operations.

The Brazilian economy growth is affected by the slowdown in the global economy, in particular in the United States and China. Further, as a consequence of a restrictive monetary policy which served to restore credibility and stability to the Brazilian currency and to contain inflation, a slowdown in overall growth for the Brazilian economy in 2023 was expected and reached approximately 2.9%. The reduction in growth and the need to maintain subsidies for the poorest part of the population, as well as the growing of public and private debt, represent the main risks and challenges that the country is facing after the presidential elections at the end of the year.

Worsening market and financial conditions in Brazil could have adverse impacts on the TIM Group's Brazilian operations, which could have a material impact on the TIM Group's business, financial condition and results of operations.

Risks related to Brazilian political conditions may negatively affect the TIM Group's business.

Political conditions in Brazil may affect the confidence of investors and the public in general, as well as the development of the economy. Political crises have affected and continue to affect the confidence of investors and the general public, historically resulting in economic deceleration and heightened volatility in the prices of securities offered by companies with significant operations in Brazil.

The most recent presidential elections in Brazil, held in October 2022, resulted in the election of Luiz Inácio Lula da Silva as President of Brazil. In 2023, the new government achieved significant advancements in the economic agenda, including the approval of the long-awaited tax reform, which has been under discussions for over forty years. Additionally, there was a comprehensive overhaul of the Administrative Council of Tax Appeals, a review of measures concerning tax credits and interest on equity and an extension of incentives for exploration profits. The approval of foundational economic themes by the National Congress demonstrated that the federal government, despite lacking a parliamentary majority, has been able to find consensus for voting on matters essential to the country's growth. However, there can be no assurance that the new government will be able to continue to positively contribute to Brazil's development.

Uncertainties regarding the new government's ability to implement policies and reforms, as well as the external perception of the Brazilian economy and political environment may materialize in the future, which could have a negative impact on the TIM Group's business. In particular, if the Brazilian government is unable to implement any necessary reforms this may lead to diminished confidence in the Brazilian government's budgetary condition and fiscal stance, which could result in downgrades of Brazil's sovereign foreign credit rating by credit rating agencies, negatively impact Brazil's economy and lead, in turn, to depreciation of the real and/or an increase in inflation and interest rates. Any such developments may have a material adverse impact on the TIM Group's business, results of operations, financial condition and prospects. Uncertainty about the Brazilian government's implementation of changes in policies, or regulations that affect such implementation, may contribute to economic instability in Brazil and increase the volatility of securities issued abroad by Brazilian companies, including TIM Group's securities.

Any of the above factors may create additional political uncertainty, which could harm the Brazilian economy and, consequently, the TIM Group's business, and could adversely affect its business, results of operations, financial condition and price of its common shares.

The COVID-19 pandemic has adversely affected the TIM Group's business, financial condition and results of operations and unexpected and uncertain events, such as the emergence of new variants of COVID-19, could significantly affect the TIM Group's operations.

Since its outbreak in December 2019, a pandemic caused by coronavirus, COVID-19, had spread globally and had created significant macroeconomic uncertainty and disruption, affecting markets where the TIM Group has operations, including Italy and Brazil. In response, many governments had implemented measures to stop or slow the COVID-19 pandemic, such as lockdowns, and these measures remained in place for a significant amount of time. The COVID-19 pandemic also led to scarcity of financing, weakness in the capital markets, weak consumer confidence and declining consumption in many markets. It also worsened the sovereign debt crises, particularly in the Eurozone. During the COVID-19 pandemic, the TIM Group had implemented measures to minimize health and safety risks, including social distancing, travel restrictions and working from home. Although such measures have now been lifted in line with government guidance, the TIM Group remains prepared to reintroduce necessary measures.

The COVID-19 pandemic and the response thereto had materially adversely impacted and may continue to materially adversely impact the TIM Group's business, as well as its various stakeholders. As a result of the COVID-19 pandemic, the TIM Group's operations experienced delays and disruptions, such as temporary closure of its distribution network, heightened pressure on its networks by remote working trends and increases in data usage. In addition, its mobile services revenue declined, particularly in the second quarter of 2020, including because of customers buying fewer new devices, travel restrictions disincentivizing customers from subscribing to roaming services abroad. The COVID-19 pandemic also negatively impacted TIM Group subscribers' ability to fulfil their payment obligations. The availability of lower disposable income also led to a decrease in the number of subscribers and types of subscriptions. In future, if business interruptions caused by epidemic or pandemics last longer than expected, the TIM Group may need to seek other sources of liquidity, and there can be no guarantee that additional liquidity will be readily available or available on favorable terms and in an amount sufficient to enable it to service and repay its indebtedness or to fund its other liquidity needs. The extent to which it impacted the TIM Group's financial condition and results of operations is discussed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group,*" included elsewhere in this Exchange Offer Memorandum.

The repercussions of the COVID-19 pandemic and the response implemented could have complex and hard-to-predict consequences for the future. Additionally, to the extent the COVID-19 pandemic continues, or a different pandemic begins, it may also have the effect of heightening other risks described in this "*Risk Factors—Risks related to the TIM Group*" section. The possibility of new outbreaks of COVID-19, cannot be completely excluded. It may affect the TIM Group's operations by resulting in, among other things, declines in roaming volumes, shortage of electronic components and other items used to manufacture its network equipment, lower subscriber growth or increasing bad debt of businesses and consumer subscribers. It may also have significant negative effects on network improvements and maintenance, procurement and the supply chain, as well as decreasing margins, lower revenues or delays in cash flows. Such instability and any resulting market volatility may create contagion risks in jurisdictions where TIM Group operates. Additionally, any deterioration in financial markets could impair the TIM Group's ability to obtain financing in the future, including its ability to incur additional indebtedness to operate its ongoing operations, fund liquidity needs or to refinance or repay debt obligations. Any of the foregoing risks could materially and adversely affect the TIM Group's business, financial condition and results of operations.

The TIM Group may be unable to respond to the trend towards consolidation in the Brazilian telecommunications market.

The Brazilian telecommunications market has been subject to market consolidation. For example, in 2014, Telefónica S.A. acquired all of the shares of GVT Participações S.A from Vivendi. In 2019, Nextel Brazil was acquired by Claro S.A. In August 2020, Bordeaux Fundo de Investimentos ("**Bordeaux**") acquired the Brazilian regional operator Sercomtel Telecomunicações following its privatization. Subsequently, in November 2020, Bordeaux was successful in a competitive auction to acquire Copel-backed Copel Telecom. In 2022, the TIM Group acquired Oi.

The economic and regulatory environment faced by some relevant telecommunications companies in Brazil, such as Sercomtel, a local phone and Internet service provider in the state of Paraná, and Sky, could also be expected to encourage the consolidation trend or even the entry of a new competitor in the Brazilian telecommunications market. In 2018, via a new resolution, Anatel reduced one of the main regulatory barriers to consolidation in the mobile market.

Resolution No. 703/2018 changed the spectrum cap regulation by increasing the amount of spectrum bandwidth an operator is allowed to retain, depending on frequency range and applicable antitrust measures. If such consolidation occurs, it may result in increased competition within the telecommunication market. The TIM Group may be unable to adequately respond to pricing pressures resulting from consolidation in the market, adversely affecting its business, financial condition and results of operations. On November 5, 2020, Anatel Resolution No. 736/2020 amended Resolution No. 703/2018 by establishing new maximum limits for the spectrum between 1 GHz and 3 GHz, with the allocation of L Band (+90 MHz in the 1.5 GHz band) for SMP. The TIM Group may also consider engaging in merger or acquisition activity in response to changes in the competitive environment, which could divert resources away from other aspects of the TIM Group's business. See "*—The TIM Group has entered and may enter into strategic transactions, such as acquisitions, investments or dispositions, involving unforeseen risks, and it may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions*."

Risks Related to the TIM Group's Legislative and Legal Framework

The Italian Golden Power Authority has exercised, and may in the future exercise, its special powers under the Golden Power Legislation with respect to the TIM Group, including with respect to the TIM Group's ability to enter into strategic transactions.

In Italy, the Italian Golden Power Legislation provides the Italian Golden Power Authority with certain special powers over companies of strategic importance for the national essential interest.

In particular, pursuant to the Italian Golden Power Legislation, the Italian Golden Power Authority may, among other things, exercise a veto or impose undertakings, conditions and other requirements in certain cases, such as:

(i) the acquisition of certain shareholdings in companies having assets and relationships in sectors qualified as strategic, such as, among others, defence and national security, energy, transport, communications, financial, healthcare, agri-food, critical technologies and personal data processing (the "**Strategic Companies**"); and

(ii) resolutions, acts or transactions concerning Strategic Companies that hold strategic assets, and which involve a change in the ownership, control, possession or intended use or purpose of such assets or relationships of strategic importance, such as mergers, de-mergers, transfers of assets or business units in which such assets are included and the enforcement and, according to a prudential interpretation, the granting or extension of securities over (i) the shares, if it concerns a shareholding in a Strategic Company meeting or exceeding, as the case may be, the thresholds indicated below or (ii) strategic assets.

With reference to the acquisition of shareholdings in Strategic Companies, the Italian Golden Power Legislation provides that the following transactions shall be communicated to the Italian Golden Power Authority for screening purposes and the possible exercise of the veto right or the imposition of undertakings, conditions and/or other requirements:

- acquisitions by both EU/EEA (including Italian) and non-EU/EEA natural persons or legal entities of shareholdings in Strategic Companies in the defense and national security sectors exceeding 3% of the share capital and/or voting rights, and subsequently in the event of exceeding the thresholds of 5%, 10%, 15%, 20%, 25% and 50%;

- acquisitions, by non-EU/EEA natural persons or legal entities, of a stake representing at least 10% of the share capital and/or the voting rights (when the value of the investment is equal to at least €1.0 million) of a Strategic Company in any sector covered by the Italian Golden Power Legislation; acquisitions that exceed the thresholds of 15%, 20%, 25% and 50% or that in any case result in the acquisition of control over the relevant Strategic Company are also subject to the reporting obligation; and

- acquisitions, by EU/EEA (including Italian) natural persons or legal entities of control over Strategic Companies in the energy, transport, communication, water, health, financial and agri-food sectors.

The Italian Golden Power Legislation provides for specific sanctions to be applied in case of non-compliance with its provisions, including, among others, administrative pecuniary sanctions up to two times the value of the transaction and in any case not less than 1% (of the company turnover or of the cumulative turnover of the companies involved in the relevant transactions) as resulting from the last financial year for which the financial statements have been approved. In addition, failure to comply with the Italian Golden Power Legislation or with any veto, undertaking, condition and/or other measure imposed by the Italian Golden Power Authority may result in the relevant transaction, act or resolution being unwound or declared null and void.

In addition to the above, by Italian Legislative Decree No. 21 of March 21, 2022, converted into law with amendments by Italian Law No. 51 of May 20, 2022, Italian Golden Power Legislation was amended, requiring Strategic Companies operating in the telecommunications sector to provide the Italian Golden Power Authority in advance with an annual plan of purchases of goods, including in particular technology-intensive components, and services relating to the design, implementation, maintenance and management of activities regarding broadband communication services based on 5G technology. The said purchases plan is subject to approval of the Italian Golden Power Authority, possibly with the imposition of undertakings, and can be updated by the relevant Strategic Company on a quarterly basis, subject to a new application to the Italian Golden Power Authority.

On October 16 and November 2, 2017, specific provisions regarding corporate governance and organization were imposed on the TIM Group through two Prime Ministerial Decrees. Among these, the establishment of a security organization (the "**Security Organization**") was imposed, which is responsible for activities relevant to national security and involved in all decision-making processes relating to strategic activities and the network. This structure provides that the Security Organization relies on a security officer, who reports to a member of the board of directors with exclusive responsibility for security.

On January 16, 2024, the Italian Golden Power Authority issued a decree with which it imposed undertakings in reference to the Acquisition, as the NetCo Business was considered as a strategic asset for the telecommunications sector and for defense and national security. For more information, see "*Risks Related to NetCo—Risks Related to NetCo's Legislative and Legal Framework—The Italian Golden Power Authority has in the past exercised its special powers under the Italian Golden Power Legislation with respect to the TIM Group and may in the future exercise again the said special powers, including with respect to strategic transactions to be entered into by NetCo*." In particular, the Italian Golden Power Authority has imposed various requirements and conditions including in relation to governance, internal organization (confirming the obligation to establish a Security Organization), planning, compliance, network security, continuity of supplies, the locations where certain activities can be carried out and certain assets can be located, the supply chain, intellectual property and information. Furthermore, NetCo is required to provide every six months to the monitoring committee of the Italian Golden Power Authority a compliance report describing the measures implemented by NetCo in order to comply with these requirements.

In light of the above, in relation to the corporate aspects of NetCo, the Italian Golden Power Authority may veto or impose undertakings, conditions and/or requirements to consent to the implementation of any transaction, act or resolution falling within the scope of application of the Italian Golden Power legislation. Consequently, following the successful completion of the Transactions, the right of the TIM Group and NetCo to pursue resolutions, deeds or commercial or industrial operations which provide for, among other things, the acquisition or subscription of their shares will remain subject to the Italian Golden Power Authority and the Italian Golden Power Legislation. Therefore, the TIM Group and NetCo may not be authorized to undertake such transactions, acts or resolutions in a timely manner, without restrictions and/or undertakings which may or may not have a material impact. Pursuant to Italian Golden Power legislation, the Push-Down Merger will also be the subject of a new application to the Italian Golden Power Authority.

Anatel classified the TIM Group as an economic group with significant market power in some markets and are now subject to increased regulation.

In July 2018, Anatel published Resolution No. 694/2018, or the "New PGMC," revising the general plan for competition goals (Plano Geral de Metas de Competição) ("**PGMC 2012**"). Under the New PGMC, TIM Group has been classified as having significant market power in the following relevant markets: (i) mobile network; (ii) national roaming; and (iii) high-capacity data transport. Due to such classification, the TIM Group is subject to increased regulation under the New PGMC, which could have an adverse effect on its business financial condition, results of

operations and compliance with regulations. In the Brazil national roaming market, the TIM Group must also offer roaming services at regulated rates to other mobile providers. The new PGMC is currently under review by Anatel and a new regulation is expected to come into force in the second half of 2024, after a public consultation to proposed to be held in the second half of 2023.

The TIM Group's radio frequency ("**RF**"), authorizations for the 800 MHz, 900 MHz, 1,800 MHz and 2,100 MHz bands that it uses to provide PCS services started to expire in September 2007 and are renewable for one additional 15-year period, requiring payment at every two-year period equal to 2% of the prior year's revenue net of taxes, by way of investment under the basic and alternative service plans, which are intended to increase telecommunications penetration throughout Brazil. Anatel has stated that the revenue on which the 2% payment is based should be calculated as including revenues derived from interconnection as well as additional facilities and conveniences. As a result, the TIM Group is currently disputing these RF authorization renewal payments both administratively and judicially. Although there are administrative procedures still pending on analysis, Anatel has denied the TIM Group's appeals and issued Precedent No. 13, determining that revenues from interconnection as well as additional facilities and conveniences should be considered on the basis of the calculation of the price due to the renewal of the spectrum licenses. Judicially, the matter is also still under dispute. In December 2018, under Judgment No. 706 and No. 707, Anatel approved a new radiofrequency revenue segregation methodology to be applied. The application of this new methodology allows the segregation of significant market power revenues by the percentage of radiofrequency extended in relation to the total of existing radiofrequencies, both expressed in the amount of MHz, and addresses part of the dispute about the values to be paid by the TIM Group due in connection with the initial renewal process. After the expiration of the second renewal of radiofrequency use rights, there may be new administrative and judicial discussions and disputes regarding the applicable calculation methodology and deadlines after the approval of Law No. 13,879, of October 3, 2019. The Federal Court of Accounts ruled that such renewal process may be subject to a new bidding procedure. However, Anatel has granted the TIM Group and other competitors extensions for shorter terms until a decision has been made on how to proceed with the radiofrequency use rights.

Finally, both of the above aspects are under revision by Anatel: the Spectrum Use Regulation ("**RUE**"), which must rely on a "use it or share it" principle to ensure spectrum usage in a secondary basis; in addition to the revision of the PGMC Regulation, in order to create a new significant market power for RAN sharing agreements. Anatel is assuming that these initiatives could leverage the competition in the mobile market. However, there can be no assurance that the actual outcome of the revision undertaken by Anatel and/or the factual implementation of these new regulation may bring the expected results.

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

Many of the TIM Group's activities require authorizations from governmental authorities both in Italy and abroad. These authorizations specify the types of services the operating company holding such authorization may provide. The continued existence and terms of the TIM Group's authorizations are subject to review by regulatory authorities and to interpretation, modification or termination by these authorities. In addition, its current authorizations to provide networks and services require that the TIM Group 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 authorization. In addition, the need to meet scheduled deadlines may require it to expend more resources than otherwise budgeted for a particular network build-out. If the TIM Group fails to renew any of its licenses, permits, or authorizations, the TIM Group's ability to effectively operate relevant businesses may be materially and adversely affected. The procedure to obtain licenses, permits, and authorizations (and renewals thereof) may be complex, lengthy, expensive and may require ongoing compliance with various obligations. Moreover, even if the TIM Group obtains the renewal of its licenses, permits, and authorizations, the costs for obtaining those might be higher than those it expected. Finally, if the TIM Group fails to comply with the requirements of the applicable legislation and regulatory framework in general, which are very detailed and complex in nature, its authorizations may be suspended or terminated, or significant fines imposed.

Additional authorizations may also be required if the TIM Group expands its services into new product areas, and such authorizations 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 the TIM Group may not have previously had to comply.

In Brazil, the TIM Group also operates under an authorization 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 reactive 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). Under this regulation, Anatel may take measures according to specific cases, such as consumer compensation, adoption of an action plan or adoption of preventive measures to ensure improvements in quality standards, generating a risk of impact on planned investment volumes, expected revenues and potential penalties. Following a joint effort by Anatel, operators, and the Quality Assurance Support Authority to define the objectives, criteria and reference values of the indicators by the end of November 2021, Anatel's board of directors formalized the reference documents supporting this regulation: the Operational Manual and the Reference Values; and established the entry into operational effectiveness on March 1, 2022. Currently, the results of quality indicators are already being disclosed monthly by the agency on its website. Specifically, regarding the Quality Seal (which encourages competition in quality), in November 2023, the agency determined the temporary and partial suspension of the Reference Values Document and the quality seals for the years 2022 and 2023 and granted a 120-day period for the submission of new proposals for reference methods and parameters for defining the quality seals.

The TIM Group's activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code.

In the ordinary course of business, the TIM Group processes personal data on customers, business partners, employees, users, third parties and others and therefore it must comply with strict data protection and privacy laws and regulations. Any processing of personal data of individuals located in the EEA in the course of the provision of services is governed by European data protection laws and regulations, which restrict its ability to collect, process and use personal data relating to customers, potential customers, business partners, and employees, including for marketing purposes.

Such laws and regulations concern the collection, use, retention, security, processing and transfer of personal data. In particular, starting from May 25, 2018, the TIM Group's operations are subject to the provisions of Regulation (EU) 2016/679 of April 27, 2016 ("**GDPR**") and to the Italian Legislative Decree No. 196/2003, as amended by Italian Legislative Decree No. 101/2018, which adapted Italian rules to GDPR ("**Italian Privacy Code**"). The GDPR increased both the number and the restrictive nature of the obligations binding the TIM Group, in particular with respect to the collection, processing and use of personal data. Such obligations include, for example, (i) the processing of personal data in accordance with the transparency, data minimization, accuracy, storage limitation, security and confidentiality principles, (ii) the ability to demonstrate compliance with such principles (accountability), (iii) the obligation to identify a legal basis before the processing, (iv) the obligation to ensure the rights of data subjects, such as, among others, the right of access, the right to rectification and the right to erasure (which would require the TIM Group to permanently delete a user's personal data in certain circumstances) and (v) more onerous consent requirements, as consent will always have to be express/opt-in, while implied/opt-out consent has at times been deemed sufficient under the former regime. The GDPR obligates companies to implement several formal processes and policies as well as to review and document the data protection implications of the development, acquisition, or use of all new products, technologies, or types of data. The GDPR, *inter alia*, provides for significant applicable maximum fines, up to the higher of (i) €20 million or (ii) 4% of annual global turnover per breach, as opposed to fines of less than €1 million under the former regime. The fine may be imposed instead of, or in addition to, measures that may be ordered by supervisory authorities (such as the request to cease processing). In addition, according to the Italian Privacy Code, certain criminal sanctions could be applied to individuals involved in unlawful processing activities.

The regulatory environment governing the TIM Group's use of data relating to identifiable individuals (customers, employees and others) is complex. Privacy and information security laws and regulations change frequently, and compliance with such laws and regulations may require the TIM Group to incur significant costs to make necessary systems changes and implement new administrative processes.

For example, the European Commission has proposed to replace Directive 2002/58/EC on Privacy and Electronic Communications (the "**ePrivacy Directive**") with a new regulation primarily aimed at aligning certain provisions of the ePrivacy Directive to the GDPR. The Proposal for a Regulation on Privacy and Electronic Communications (the "**ePrivacy Regulation**") was published by the European Commission on January 10, 2017 and is currently under negotiation in light of the draft proposals issued by the European Parliament and the European Council. The draft

ePrivacy Regulation proposes heightened regulatory requirements in connection with unsolicited communications, the use of cookies, security of personally identifiable information, confidentiality of communications, consent, data security and data integrity. In line with the GDPR, breaches of the ePrivacy Regulation may result in maximum fines equal to the greater of €20 million and 4% of the annual global turnover of the sanctioned company.

The TIM Group 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 the Italian Privacy Code. It constantly monitors regulatory developments, measures and opinions adopted by the Italian Data Protection Authority (*Autorità Garante per la Protezione dei Dati Personali*) and adopts all the necessary initiatives needed to fulfil compliance with the aforementioned provisions. The TIM Group, in this context, is also committed in maintaining and verifying continuously the effectiveness of the adopted controls and engages in communications with the Italian Data Protection Authority with respect to data security matters where it deems necessary or advisable.

However, the risk of deficiencies in implementing security measures, in fulfilling legal requirements on data processing, in applying rules on data retention, in notifying data breaches within the narrow mandatory timeframes could lead to disputes with the Italian Data Protection Authority and to be sanctioned with heavy fines. Any failure, or perceived failure, by the TIM Group to comply with any applicable data protection laws and regulations could result in proceedings, investigations or actions (including class actions) brought against it by governmental entities, or agencies; or private individuals or entities, and in significant fines, penalties, judgments and reputational damages to the TIM Group business, requiring it to change business practices and increasing the costs and complexity of compliance, any of which could materially adversely affect its business, financial condition, results of operations and prospects. Moreover, the risk of personal data breaches can lead to disputes with the interested data subjects. Even the perception of data protection and privacy concerns, whether or not valid, may harm the TIM Group's reputation and inhibit its business with current and future customers, which could have an adverse effect on its business, financial condition and results of operations.

The TIM Group's activities could be materially negatively affected by failure to comply with Brazilian Data Protection Laws.

The TIM Group's operations and reputation could be materially negatively affected by cyber-security threats or its failure to comply with new data protection laws, mainly the Brazilian General Data Protection Law (Law No. 13,709/2018) ("**LGPD**"), which came into effect on September 18, 2020, following the President of Brazil's veto of Article 4 of Provisional Measure No. 959/2020, which established that the LGPD would only come into effect on May 3, 2021. However, the administrative sanctions provisions of LGPD only became enforceable as of August 1, 2021, pursuant to Law No. 14,010/2020. Any proceeding or action and related damages could be harmful to the TIM Group's reputation, force it to incur significant expenses, divert the attention of its management, increase its costs of doing business or result in the imposition of financial penalties.

In addition, Decree No. 10,474/2020 created the regulatory agency of the National Data Protection Authority ("**ANPD**"). The ANPD must ensure the protection of personal data and will deal with cases regarding commercial and industrial secrets in Brazil. ANPD is also responsible for developing guidelines for the Protection of Personal Data and Privacy National Policy and for inspecting and applying sanctions in the event of data breaches according to resolution cd/ANPD No. 1, of October 28, 2021.

Moreover, ANPD can issue regulations and procedures to protect personal data and privacy, as well as responsible for assessing the impact of personal data protection in scenarios that may be deemed as a high risk to personal data protection principles. As a result of ANPD's new regulations and procedures, the TIM Group may be required to change its business practices and implement additional measures to adapt its personal data processing activities. This could adversely affect the TIM Group's business, financial condition, or results of operations. The TIM Group cannot assure potential investors that its LGPD compliance efforts will be deemed appropriate or sufficient by regulatory authorities or by courts. The TIM Group is carrying out a continuous assessment to identify any problems and based on the results identified, it has implemented controls in order to achieve full compliance with the requirements of the LGPD. However, deficiencies in the full adoption of data security measures, implementing personal data processing and retention requirements and reporting data measures within a narrow mandatory time frame could lead to disputes with data protection authorities, fines or harm to the TIM Group's reputation.

Sophisticated information and processing systems are vital to the TIM Group's growth and its ability to monitor costs, render monthly invoices, process customer orders, provide customer service and achieve operating efficiencies. The TIM Group cannot assure that it will be able to successfully operate and upgrade its information and processing systems or that it will continue to perform as expected without any failure. A severe failure in its accounting, information and processing systems could impair its ability to collect payments from customers and respond satisfactorily to customer needs, which could adversely affect the TIM Group's business, financial condition and results of operations.

EU regulation of the levels of roaming charges may in the future have a material adverse effect on the TIM Group's business.

EU regulators have imposed price caps applicable to all operators in the EU at wholesale level. In particular, in 2022, the European Regulation (EU) No. 2022/612 of the European Parliament and the European Council of April 6, 2022 on roaming on public mobile communications networks within the EU came into effect. Pursuant to the latter regulation, the maximum wholesale prices for roaming mobile services (calls, SMS and mobile data) shall decrease according to a glide path culminating with maximum prices for voice, SMS and data services, respectively, of € 1.9 cent/min, € 0.3 cent/SMS and 1 €/GB. In general terms, reduction of prices of mobile roaming services, as well as operation of alternative roaming providers may have a material adverse effect on the TIM Group's business, financial condition and results of operations.

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. The allocation of the frequencies required for rolling out and operating 5G networks have heightened the public debate and concerns about this issue. The TIM Group 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.

The TIM Group'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, prevent the installation of mobile communication masts and wireless networks, affect network rollouts and the deployment of higher frequencies in the TIM Group networks, generate additional costs or investment, or result in potential claims and litigations. See also "*—The TIM Group may be subject to claims and penalties relating to the health and safety of its employees or of third parties.*" Additionally, as the TIM Group holds mobile communications licenses, in light of the concerns about the potential health effects that could arise from exposure to mobile telecommunications equipment, it faces the risk that lawsuits may be filed against it in relation therewith. Further, the TIM Group installations, and particularly its 5G installations, may be subject to attack by members of the public.

In Brazil, Anatel Resolution No. 700/2018 sets limits of emission and exposure for fields with frequencies between 8.3 kHz and 300 GHz, and Anatel Act No. 17,865/2023 and Law No. 11,934/2009 establish limits related to the magnetic and electromagnetic emissions recommended by the World Health Organization and require that operators have to maintain a record of the measurements of the levels of the magnetic and electromagnetic emissions of each transmitting station. In 2021, Law No. 14,173/2021 came into force, which amended Law No. 11,934/2009, revoking the mandatory sharing of towers with less than 500 meters between them. The withdrawal of this obligation was considered essential for the implementation of 5G in Brazil, allowing for the expected increase in density for the new technology. Further, in 2022 Law No. 14,424/2022 came into force, which allowed operators to be authorized to install antennas, even if the competent authority does not respond within a period of 60 days.

Although laws already impose 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 buildouts and the commercial availability of new services and may require additional investments.

The TIM Group is exposed to risks in connection with fraud.

The TIM Group is exposed to risks in connection with fraud. For example, it is subject to the risk of customers attempting to benefit from its services or goods without paying for them. In view of the large number of invoices that the TIM Group issue and the volume of its payment transactions, such fraud could represent heavy financial losses.

The TIM Group is also exposed to risks of fraud with potentially material adverse effects should such risks materialize. In today's environment of increasingly complex technologies, more virtual networks and faster implementation of new services and new applications, cases of fraud may arise that are more difficult to detect or control. For example, on February 29, 2024, the TIM Group was served with an order of seizure issued on February 2, 2024 by the preliminary investigation judge (*giudice per le indagini preliminari*) of the Court of Milan carrying out a preventive seizure (*sequestro preventivo*) of the sums held in the TIM Group's bank accounts amounting to approximately €249.0 million. Such preventive measure related to an alleged cyber fraud (*frode informatica*) pursuant to Italian criminal law allegedly conducted by Content Service Providers in the context of value-added services. Since becoming aware of these irregularities in 2019, TIM proactively reported the matter to the Public Prosecutor's Office of Rome. Following the investigation, these facts were determined to be a fraud committed against TIM. Nonetheless, TIM has taken swift action to safeguard its customers by refunding all known irregular activations and blocking any value-added services found to be affected by irregular activations. The TIM Group is not under investigation in these proceedings, however, any similar alleged case of fraud or any related criminal investigation in the aggregate could have a material adverse effect on the TIM Group's business, reputation, results of operation and financial condition.

The TIM Group's organizational policies and procedures embodied in the organizational model adopted pursuant to Italian Legislative Decree 231/2001 may be insufficient to prevent fraud and may fail to prevent certain officers or employees from engaging in unlawful conducts, for which TIM Group could be liable.

Any contact by the TIM Group's directors, employees, agents or partners with the public administration or procurement officers of private clients (including in the context of participations in auctions, interactions held with the public administration in the process of obtaining or renewing any authorization or license and any possible public contribution) involves risks associated with fraud, bribery, corruption, incorrect use of public contributions and other fraudulent activities by the TIM Group's employees and related investigations.

The TIM Group is also exposed to the risk that its directors, employees or agents commit IT related crime, which may consist of using the TIM Group's infrastructure to violate the IT systems of its competitors, unlawful access to banking data (including that of its customers) and damages to the IT systems and documents. In addition, the TIM Group may be subject to claims in connection with damage to property, business interruptions, unauthorized use of property, unauthorized entry or breach of security protocols, negligence, willful misconduct or other tortious acts by its employees or people who have gained unauthorized access to premises operated by the TIM Group. Such claims may be substantial and may result in adverse publicity for the TIM Group. The TIM Group's business activities may also involve risks related to possible accidents, which may be due to its employees' activities or mistakes and may consist in crimes, breaches of security measures, damages to third parties or manslaughter.

The TIM Group has put in place an organizational 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 organizational model is adopted by TIM and by its Italian subsidiaries. A specific version of the organizational model has been adopted by the TIM Group pursuant to the anti-corruption Brazilian law (Law 12.846/13) and aligns with Legislative Decree No. 231/2001 of Italy, and international standards on anti-corruption, such as the Foreign Corrupt Practices Act and the UK Bribery Act 2010.

The TIM Group has also implemented, and will continue to maintain in force, policies, procedures, systems, and controls designed to ensure compliance by its directors, employees, consultants, partners, agents and third-party agents, representatives and intermediaries with applicable anti-bribery and anti-corruption legislation.

The organizational model is continuously reviewed and kept up to date to reflect changes in operations and in the regulatory environment. The TIM Group 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 the TIM Group may make to it, there can be no assurances that it will function as designed, or that it will be considered adequate by any relevant legal authority. Further, the TIM Group may be unable to detect or prevent every instance of unlawful conduct involving its directors, employees, consultants, partners, agents and third-party agents' representatives and intermediaries and/or may fail to adequately update and implement such policies, procedures, systems and controls. The TIM Group's monitoring systems may not be sufficient to prevent, detect and identify inadequate practices and violation of law by such individuals.

In particular, pursuant to Italian Legislative Decree 231/2001, the TIM Group may be held responsible for certain crimes committed in Italy or abroad including, among others, bribery, money laundering, corruption (including among private individuals), anti-competitive behavior, fraud against the state, corporate offenses, market abuse, certain tax and customs violations, and certain environmental and workplace safety violations in the TIM Group's interest or for the TIM Group's benefit, by individuals having a functional relationship with the TIM Group at the time the relevant crime was committed, including third-party agents, partners or intermediaries, unless the TIM Group is able to prove that such individuals fraudulently violated the internal control model and it was reasonably not possible for the TIM Group to avoid such violation. Liability, on top of minor administrative fines, may also attach in case the TIM Group fails to adequately implement a whistleblowing system and/or to follow up on whistleblowing reports according to applicable requirements, including Directive (EU) 2019/1937 on the protection of persons who report breaches of Union Law, and Italian Legislative Decree No. 24/2023. In such circumstances, the TIM Group may be subject to pecuniary fines, confiscation of profits or disqualifying sanctions (which could be applied also as interim measures during the investigations), including, subject to certain conditions being met, the termination of authorization, permits, licenses, concessions and financing arrangements, including facilitated financing, the suspension of the TIM Group's operations, or prohibitions on contracting with public authorities. The duration of these disqualifications could range from a minimum of three months to a maximum of two years, although in very serious cases, some of these disqualifications can be applied for a longer duration period. As an alternative to the disqualifying sanctions, the court may appoint a judicial custodian to run the company, with the consequence that the profits gained during the receivership period are automatically confiscated.

Any of the foregoing events may have a material adverse effect on the TIM Group's business, financial condition and results of operations.

The TIM Group is involved in disputes and litigation with regulators, competition authorities, competitors and other parties, including its shareholders, and is the subject of a number of investigations by judicial authorities, the ultimate outcome of which is generally uncertain.

The TIM Group is subject to numerous risks relating to legal (civil and criminal), tax, competition and regulatory (including health and safety) 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. The TIM Group is also subject to a number of public civil actions and class actions that have been brought against mobile telecommunications providers in Brazil mainly relating to network quality, the expiration of prepaid usage credits, minimum term clauses, subscription fees, quality of service and the use of land to install the TIM Group's network sites. These suits include claims contesting certain aspects of the fee structure of the TIM Group's prepaid plans, hybrid (monthly billed fixed price), or so-called control plans and postpaid plans, which are commonplace in the Brazilian telecommunications industry. Additionally, federal, state and municipal tax authorities have questioned some tax procedures that the TIM Group has adopted and has raised questions regarding the calculation of the basis for certain sector-specific contributions. Moreover, there are tax proceedings arising from the acquisition of the former Intelig business (currently TIM S.A.) by the former parent company of the TIM Participações group, relating to the purchase price.

Furthermore, the TIM Group, and possibly also its directors and officers, may be subject to legal (civil and criminal) proceedings, such as derivative and direct suits from TIM's shareholders, which may challenge an action, or inaction, taken by TIM alleging an infringement of corporate purposes and/or a denial of shareholders' rights. For example, on December 15, 2023, Vivendi started legal proceedings before the Court of Milan challenging the validity and effectiveness of TIM's board resolution of November 5, 2023, which approved the Transactions and the Transaction

Agreement. Vivendi argued that the Transactions required an amendment to TIM's corporate purposes approved by an extraordinary shareholders' meeting. Vivendi also contended that the resolution should have required shareholders' approval due to the alleged significant structural changes that will cause to TIM's activities. Vivendi also alleged the violation of the related party transactions procedure. Should Vivendi successfully prove the alleged violation of Italian corporate law, it could materially adversely affect the TIM Group's governance and reputation. For further information, please see "*Business of the TIM Group—Legal Proceedings and Disputes—Vivendi case*."

Such proceedings and investigations are inherently unpredictable. In addition, as a result of certain alleged antitrust violations, the TIM Group may be subject to customers, competitors or other third parties' lawsuits for damages or out-of-court requests, which could result in significant liabilities. Legal, tax, competition and regulatory proceedings and investigations in which the TIM Group is, or may become, involved (or settlements thereof) may, individually or in the aggregate, have a material adverse effect on the TIM Group'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 recognized 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. In recognizing potential liabilities, the TIM Group takes into consideration the risks connected with each dispute and the relevant accounting standards, which require reserves to be recognized 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, the TIM Group 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. If any material disputes are resolved against the TIM Group, they could, individually or in the aggregate, have a material adverse effect on the TIM Group's results of operations, financial condition and cash flows.

For more details, please see "*Business of the TIM Group—Legal Proceedings and Disputes.*"

Failure to protect the TIM Group's image, reputation and brand could materially affect the TIM Group's business.

The TIM Group's success depends on its ability to maintain and enhance the image and reputation of its companies, of its existing products and services and to develop a favorable image and reputation for new products and services. The image and reputation of its products and services may be reduced in the future if concerns about the quality, reliability and cost-benefit analysis of its products and services, the quality of its support centers, the environmental footprint of its business and its capability to deliver to its customers the level of services advertised are raised, even if such concerns are unfounded, could tarnish its image and reputation of the image and reputation of its products and services. Restoring its image and reputation or that of its products and services may be costly and not always possible. Any of the above factors could have a material impact on the TIM Group's business, financial condition and results of operations.

The use of Internet by the TIM Group's customers could cause it to suffer losses and adversely affect its reputation.

Pursuant to applicable Italian regulation, the TIM Group, 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. The TIM Group 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.

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

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

Overall, the TIM Group has a good relationship with its workers and trade unions. However, there can be no assurance that the TIM Group's workers and trade unions will be fully satisfied with the Acquisition. Furthermore, material labor disputes may occur, including as a result of (i) claims from former employees of the TIM Group transferred to NetCo in the context of the Transactions, who may challenge their transfer and seek to be re-transferred to the TIM Group and (ii) the TIM Group's plan to restructure its labor costs, which could, individually or in the aggregate, have a material adverse impact on the TIM Group's operations. See "*Business of the TIM Group—Employees.*"

The TIM Group may be subject to claims and penalties relating to the health and safety of its employees or of third parties.

The TIM Group's operations are subject to environmental as well as health and safety laws and regulations, including those concerning occupational health. In most cases, the TIM Group is responsible for the safety of its personnel as well as any external worker operating at its premises and the general health wellbeing of its customers' employees and patrons who may work or do business nearby. If the TIM Group fails to implement safety procedures or if the procedures the TIM Group implements are ineffective, its employees and others may become injured. The TIM Group may incur significant costs, including fines, penalties (including operational bans), civil, criminal (also pursuant to Italian Legislative Decree No. 231/2001) and administrative sanctions as a result of violations of, or liabilities under the applicable health and safety laws and regulations. Under applicable Italian law, when workers become injured in connection with their duties and as a result are absent from work for more than 40 days, the relevant public prosecutor must open an investigation into workplace safety and, depending on the circumstances, may bring criminal proceedings against the TIM Group, its local officer entrusted with workplace safety or against its management or chief executive officer.

Incidents or similar occurrences may damage the TIM Group's reputation and negatively affect its reputation and result in criminal and/or administrative liability, including pursuant to Italian Legislative Decree No. 231/2001. See also "*—Risks Related to the TIM Group's Business Activity and Industry—Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased Mobile Communications usage." and "—the TIM Group's organizational policies and procedures embodied in the organizational model adopted pursuant to Italian Legislative Decree 231/2001 may be insufficient to prevent fraud and may fail to prevent certain officers or employees from engaging in unlawful conducts, for which the TIM Group could be liable*."

Risks Related to the TIM Group's Financial Information

The pro forma financial information of the TIM Group may not be necessarily representative of the results that the TIM Group would have achieved as a result of the Transactions and may not be a reliable indicator of its future performance.

During all historical periods covered by the financial statements included in this Exchange Offer Memorandum, and until the consummation of the Transactions, NetCo has been and will be part of the TIM Group. Accordingly, the TIM Group historical financial information cannot be used as a basis for evaluating the TIM Group's financial condition, results of operations and expected future performance following the Transactions.

The pro forma financial information of the TIM Group included in this Exchange Offer Memorandum was prepared solely for illustrative purposes and does not reflect, *inter alia*, the amount of goodwill that will be attributed by the TIM Group to the NetCo Business, following the application of the applicable IFRS accounting principles, such as IAS 36 (*Impairment of Assets*), at the Acquisition Closing Date and after the final determination of the purchase price for the Acquisition. The *pro forma* financial information of the TIM Group included in this Exchange Offer Memorandum is based on assumptions and its usefulness is, therefore, inherently limited. Such *pro forma* financial

information is derived and give effect to the Transactions by applying certain *pro forma* adjustments to the historical consolidated financial statements of the TIM Group. In preparing the *pro forma* financial information of the TIM Group included in this Exchange Offer Memorandum, the TIM Group made certain adjustments to the historical consolidated financial statements of the TIM Group based on the TIM Group's management's data and information, currently available information and on assumptions that the TIM Group's management believes are reasonable. The estimates and assumptions used in the calculation of such pro forma financial information, including (i) the exclusion of the NetCo assets, FiberCop, Telenergia, (ii) an assumed debt transfer as part of the Exchange Offers and the unwinding of the relevant hedge contracts, (iii) an assumed cash-in from the Acquisition, including in connection with a payment by Optics to TIM in respect of the Exchange Offers in accordance with the Transaction Agreement, (iv) the repayment of the FiberCop Intercompany Loan and (v) certain adjustments, including the impact of the Master Services Agreement and the Transitional Services Agreement, may be materially different from the actual results. For example, the TIM Audited Consolidated Pro Forma Carve-Out Financial Information does not reflect the potential cash relating to payments from TIM to NetCo or Infratel to reimburse part of the advance payments received by the TIM Group within the framework of the tenders for the "Italia a 1 Giga" Plan, the "Italia 5G" Plan, and the Fiber Backhauling Tender. See "*Regulation of the TIM Group—Regulatory Levies" and "Regulation of NetCo—Regulatory Levies*." In addition the pro forma financial information of the TIM Group includes €425 million relating to the reclassification, among net financial position items, of a portion of the non-financial liability related to NRRP advance payments received by TIM at the end of 2023. Following the Transactions, TIM could be required to reimburse these advances, as it would no longer be entitled to such grants, given that those advance payments are related to capital expenditures that have yet to be made. Furthermore, the *pro forma* financial information of the TIM Group included in this Exchange Offer Memorandum does not give effect to any other events than those described in such *pro forma* financial information, and the notes thereto, nor does it reflect forward-looking data, as it was prepared to represent only the isolatable and objectively measurable effects of the Transactions, without taking account of the potential effects of changes in management policy and operating decisions resulting from the Transactions. Considering that the purposes of the *pro forma* financial information included in this Exchange Offer Memorandum are different than those of the historical consolidated financial statements, the two sets of data should be read and interpreted separately, without trying to connect them from an accounting perspective.

For more information, see "*Summary Historical Consolidated Financial and Other Information and Pro Forma Carve Out Information of the TIM Group*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group—Liquidity and Capital Resources*."

Risks Related to NetCo

Risks Related to NetCo's Business Activity and Industry

NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business.

NetCo operates in the fixed telecommunications industry in Italy and, therefore, its operations are subject to extensive, costly and evolving European and Italian regulatory regimes. Changes in such laws and regulations, or failure by NetCo to comply with such laws and regulations, could materially and adversely affect NetCo's business, financial condition, results of the operations, reputation and prospects.

On top of environmental, building, zoning, seismic and fire prevention regulations, generally applicable to the infrastructure operations of NetCo, NetCo is subject to the specific regulatory framework for electronic communication services established by the EU Parliament and Council, as implemented in Italy.

Pursuant to the EU regulatory framework, the Italian regulator, the AGCOM, is required to identify operators with SMP in the relevant markets subject to regulation. On the basis of Market Analyses, AGCOM imposes requirements necessary to address identified competition problems.

Within this regulatory framework, the main risks NetCo 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 NetCo' business, results of operations, financial condition and on the guidance presented to the market (*e.g.*, definition of wholesale prices).

New Market Analyses shall be periodically conducted by AGCOM in order to (i) deal with the evolution of market conditions and technology developments and (ii) set the rules for a subsequent period of up to five years (potentially extended to up to six years upon a AGCOM's specific application process to the European Commission).

In addition, a specific Market Analysis shall be conducted each time a vertically integrated operator with SMP notifies a detailed delayering project pursuant to Article 89 of Italian Legislative Decree No. 259 of 2003 (*separazione volontaria da parte di un'impresa verticalmente integrata*), such as the one envisaged as part of the Transactions. On June 21, 2023, AGCOM called a public consultation concerning a scheme for a new Market Analysis aimed at regulating the period 2024-2028. A final draft was approved by AGCOM at the end of January 2024 and submitted to the AGCM for its opinion. Following the receipt of AGCM's opinion, the draft has been notified to the European Commission and made public. The final text of the Market Analysis is expected to be published in the first half of May 2024, following the receipt of the European Commission's comments. Although NetCo may contribute to public consultations promoted by AGCOM to update the regulatory framework applicable to its operations, there can be no assurance that AGCOM will take into account NetCo's comments and proposals, thus setting forth a regulatory framework applicable to its business which is not in line with NetCo's expectations.

On January 19, 2024, TIM notified AGCOM of its intention to proceed with a detailed delayering project. As TIM is an operator with SMP, the notification will trigger a new Market Analysis. Depending on the results of the Market Analysis, NetCo may be officially recognized by AGCOM as a "wholesale-only" operator within the meaning of Article 91 of Legislative Decree No. 259 of 2003.

While it is expected that NetCo will be recognized as a "wholesale-only" operator, it is currently uncertain whether, when and to what extent AGCOM may grant such recognition. 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 NetCo may impact its expected revenue and make it more difficult to make important investment decisions. See "*NetCo Regulation*" and "*—Risks Related to NetCo's Legislative and Legal Framework*" for further details.

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.

AGCM and AGCOM, may also intervene in NetCo's business, setting fines and/or imposing changes in its service provision operating processes and in its offers.

Due to the continuous evolution of the regulatory regime affecting various parts of its business, NetCo is unable to clearly predict the impact of any proposed or potential changes in the regulatory environment in which it operates. Regulations in the telecommunications industry are constantly changing to adapt to new competition and technology. See "*NetCo Industry Overview*" and "*—NetCo is subject to market competition*." Changes in laws, regulation or government policy could adversely affect NetCo's business and competitiveness. In particular, NetCo'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 NetCo is subject (or to which NetCo may become subject as a result of the upcoming Market Analyses mentioned above) and/or extend them to new services and markets. Finally, decisions by regulators regarding the granting, amendment, revocation or renewal of NetCo's authorizations and/or public concessions, or those of third parties, could adversely affect NetCo's future operations.

NetCo is required to provide telecommunication service providers with access to its network infrastructure and capacity at regulated terms and conditions.

Italian laws and regulations require telecommunication infrastructure operators to give access to their telecommunication infrastructure to telecommunication service providers.

While NetCo endeavors to offer wholesale services on market terms where possible, and indeed it is to NetCo's advantage to maximize usage of its network, its core business includes tariff-regulated services in the wholesale market, which are expected to account for a sizeable share of NetCo's revenues. The terms of these wholesale agreements, particularly pricing, could be subject to lighter regulation or regulatory interventions in the form of the so called "fair and reasonable" prices, subject to NetCo's recognition as a "wholesale-only" operator, which recognition may only occur several months after the Acquisition Closing Date. As a result of current or future

regulatory constraints, NetCo may not be permitted to charge telecommunication service providers who lease its network infrastructure the fees that NetCo would consider, from time to time, as adequately profitable. Should the relevant regulatory body set unfavorable conditions for any of these services, this could materially and adversely impact NetCo's business, financial condition and results of operation. See "*—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment could adversely affect its business,*" "*—There can be no assurance that NetCo will be able to deliver any or all of the related expected benefits of the Transactions from a regulatory perspective, including as a result of NetCo's recognition as a "wholesale-only" operator*" and "*NetCo Regulation*."

To the extent cost-orientation obligations based on the BU-LRIC$^+$ model, as implemented by AGCOM, could be maintained with regard to certain of NetCo's activities, NetCo's business, results of operations and financial condition may be adversely affected.

Although NetCo expects that, as a result of the AGCOM's assessment in the context of the Market Analysis which will take into consideration the effects of the Transactions, NetCo's regulated activities will be relieved from the cost-oriented approach based on the BU-LRIC$^+$ model, it is currently uncertain whether, when and to what extent AGCOM may grant such relief. The BU-LRIC$^+$ model is implemented by AGCOM, which determines service pricing by considering, among other things, network and equipment costs, projected sales volumes, maintenance, commercial costs and the impact of the cost of capital and inflation.

Even if NetCo will only be subject to fair and reasonable pricing, AGCOM may use BU-LRIC$^+$ as a benchmark in the context of Market Analyses that are generally expected to occur every five years. See "*—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business.*" Since this is a forecast cost model, the application of the BU-LRIC$^+$ model could generate negative or positive effects for NetCo as a result of any discrepancies between the forecasts of the model made by AGCOM and the actual statistics that will be accounted for by NetCo regarding, among others, inflationary dynamics, demand volumes and costs. If the BU-LRIC$^+$ model is applied to certain of NetCo's tariffs and any such discrepancies occur, NetCo could be unable to or find it difficult to pass through its costs, which could have a material adverse effect on its business, results of operations and profitability. See "*—NetCo is subject to market competition*."

Following the successful completion of the Transactions, the TIM Group will become a key customer of NetCo and as such any material deterioration of the TIM Group's business could negatively affect NetCo's business, financial condition and results of operations.

In connection with the Transactions, the TIM Group will divest its ownership interest in NetCo. For further information, see "*Summary—The Transactions*." This divestment will transition the relationship between NetCo and the TIM Group into a new phase of commercial engagement. Pursuant to the Transaction Agreement, on the Acquisition Closing Date, the two parties will enter into the Master Services Agreement. For further information regarding the Master Services Agreement, please refer to "*Summary—The Transactions—Master Services Agreement*."

Pursuant to the Master Services Agreement, NetCo will, among other things, provide certain services to the TIM Group and the TIM Group will provide certain services to NetCo. The Master Services Agreement is established for an initial term of 15 years, with a renewal mechanism, under terms to be negotiated, for an additional term. In the event of a decline in the TIM Group's subscribers or if any other factors described in the "*Risk Factors—Risk Factors Related to NetCo*" section necessitate a renegotiation of the Master Services Agreement, NetCo could face challenges in making such adjustments due to the long-term nature of the agreement. As a result, NetCo would remain obligated to fulfil the terms of the Master Services Agreement, limiting its ability to mitigate revenue losses. In addition, during the duration of the Master Services Agreement, there can be no assurance that disputes will not arise between NetCo and the TIM Group. In the event of a dispute, any actions NetCo or the TIM Group could take, including the application of contractual penalties, to resolve the dispute could result in additional costs or lower revenues for NetCo. If the TIM Group were to withhold payments for NetCo's services, NetCo's cash flow and financial position could be materially adversely affected.

Furthermore, any prolonged disruption to the relationship between NetCo and the TIM Group could have a material adverse effect on NetCo's reputation among its other major customers, which could raise concerns about the dependability of NetCo's services, potentially compromising long-term customer relationships. For example, such shift in perception might cause other NetCo's customers to question NetCo's services reliability, leading to a domino effect where more customers might decide (i) against renewing their agreements and/or (ii) to switch to alternate providers, where available, or alternative technologies operators providing for a similar level of service. See also "—*NetCo is subject to market competition.*"

As part of the Acquisition, TIM and NetCo will enter into the Master Services Agreement on the Acquisition Closing Date. A draft of the Master Services Agreement has been attached to the Transaction Agreement. However, it cannot be ruled out that changes to the language or content of such draft could be made if, in the context of the discussions with the relevant authorities, supplementary or amending provisions would be instrumental to evidence of the Master Services Agreement's compliance with applicable laws. To the extent that the consequence of any such changes shall have not been already addressed in the draft of the Master Services Agreement, these supplementary or amending provisions could affect the future business of the TIM Group, Purchase Price and the pro forma financial information included in this Exchange Offer Memorandum, which have been calculated based on certain assumptions, including the economic conditions currently anticipated under the Master Services Agreement.

Should any of the above risks materialize, this could have a material adverse effect on NetCo's business, financial condition, results of operations and prospects.

NetCo is subject to market competition.

Telecommunications operators, such as NetCo, are navigating a landscape marked by significant technological changes and challenging market conditions. As such, although not necessarily with the same degree of geographic penetration or range of service offered, NetCo faces direct competition from alternative network operators ("**AltNets**"), and may face indirect competition from other substitute technologies, such as high-speed wireless, FWA and LEOS broadband services.

In the Italian fiber fixed-line market, Open Fiber is the only AltNet and it has undertaken development plans for ultrabroadband networks in major Italian cities (i.e. Black Areas) and previously underserved "market failure" zones (i.e. White Areas). NetCo's competitive dynamics differ across these coverage areas. In Black Areas, NetCo risks infrastructure overlap with Open Fiber's FTTH network, which can intensify competition when OLOs opt to use Open Fiber's connections, potentially resulting in customer and revenue losses for NetCo. In White and Grey Areas, state intervention drives fiber infrastructure build-out, assigning distinct regions to either NetCo or Open Fiber to invest and serve as main FTTH network provider. In regions within White and Grey Areas where Open Fiber is the main FTTH network provider, given that NetCo only provides ADSL and FTTC solutions, it could experience revenue losses as a result of Open Fiber's fiber take-up and a corresponding lower FTTH conversion rate. Such scenarios could have a material adverse effect on NetCo's business, results of operations and financial condition.

Moreover, NetCo may face indirect competition from broadband products delivered using wireless technologies, in particular fifth-generation, or 5G, broadband mobile networks. Even though 5G broadband networks have not yet been thoroughly implemented in Italy, they are potentially capable of high headline speeds that may become comparable to certain current speeds available on NetCo's network, depending on certain factors, including network configuration, proximity to a mobile base station, traffic volume and the hardware and software employed at the provider and user ends. See "*NetCo Industry Overview*" for further information. If mobile network providers are able in certain areas to offer a 5G broadband service with latency and bandwidth comparable to NetCo's services, NetCo may experience losses as telecommunications operators and consumers' demand could shift towards such alternative technology. Furthermore, NetCo may encounter competition from emerging or currently unforeseen substitute technologies, including FWA and those in the early stages of development, such as LEOS technologies. While the speeds offered by FWA and LEOS technologies are currently lower than those typically provided by terrestrial networks, technological advancements could enhance these speeds, potentially impacting NetCo's competitive position in the market.

Despite NetCo's strategic initiatives to enhance efficiency and introduce innovative services, the competitive pressures and the technological advancements within the industry could have a material adverse effect on NetCo's business,

financial condition and results of operations. In particular, the Italian telecommunications market's competition for fiber-based networks, may reduce NetCo's FTTH-related market share and put further pressure on its tariffs for ultrabroadband services.

NetCo's business is capital intensive and there can be no assurance that NetCo will have sufficient liquidity and/or the ability to access financing to fund its capital expenditures for future expansions and/or generate expected returns.

Broadband and ultrabroadband services are undergoing rapid and significant technological changes and a dramatic increase in usage, in particular, the demand for faster and seamless usage of data, including video, across mobile and fixed devices. The COVID-19 pandemic accelerated these trends and also resulted in higher network utilization, as more customers consume bandwidth from changes in "work from home" trends. NetCo must continually invest in its fixed-line infrastructure in order to improve its broadband and ultrabroadband services to meet this increasing demand and changes in its customers and end-consumers expectations, while remaining competitive. Improvements in these services depend on many factors, including continued access to government support initiatives (which includes funds available under the NRRP) and strategic deployment of capital needed to expand its network. After giving pro forma effect to the Transactions, NetCo's growth capital expenditures represented 82% and 79% of its capital expenditures for the year ended December 31, 2023 and 2022, respectively. NetCo's business model is capital intensive, necessitating significant capital expenditure to develop, maintain, repair, upgrade, protect and replace its existing network. In addition, to remain competitive and meet evolving customer needs, NetCo is required to expand, modernize and update its fixed-line infrastructure, including activities such as unbundling, construction, and co-financing of fiber-based network deployment. A careful approach to capital expenditure is essential for NetCo to maintain its status as a prominent fixed-line telecommunications operator and to fulfil its significant growth initiatives, including its fiber roll out plan. As of December 31, 2023, NetCo had completed a relevant portion of its roll out plan.

In order to finish its roll out plan, NetCo expects this to require a substantial amount of capital expenditures particularly in the first years following the successful completion of the Transactions. See "*Business* of *NetCo—Business Areas—Access Services*." NetCo's strategic execution will necessitate substantial cash flow to support the planned capital investment. In addition, additional capital resources could be required if cash flows from its existing fixed-line services prove unable to support the planned capital investment. Moreover, macroeconomic conditions, such as geopolitical instability and inflationary pressures, could influence the timing and terms of debt financing, potentially leading to higher costs, or limited availability or less attractive terms. Should NetCo experience any deficiencies in generating the required cash flow or accessing the financial markets on reasonable terms, if at all, this could have a material adverse effect on its business, results of operations and financial condition.

Moreover, the execution of NetCo's roll out plan (i.e. the amount and timing of NetCo's future capital requirements) may differ materially from its current estimates due to various factors beyond its control, including, but not limited to:

- increases in operating costs;
- labor disputes and disputes with contractors and sub-contractors;
- inadequate engineering, project management, capacity or infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of utilities and transportation links that are necessary or desirable for the successful operation of a project;
- inflationary pressures;
- adverse weather conditions and natural disasters;
- changes in law, rules, regulations, governmental priorities and regulatory regimes;
- political, social and economic conditions; and
- physical and/or cyber threats.

As a result, NetCo could be required to raise additional debt financing in amounts that could be substantial. The type, timing and terms of any future source of debt financing will depend on its cash needs and the prevailing conditions in the financial markets. See also "*Risks Related to NetCo's Financial Information—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance*" and *"—NetCo has no history of operating as an independent company.*" In addition, NetCo may not be able to accomplish any of these measures on a timely basis or on commercially reasonable terms, if at all. NetCo may not be able to generate sufficient cash flows in the future to meet its capital expenditure needs, sustain its operations or projected returns, which may have a material adverse effect on its business, financial condition and results of operations. See "*Management's Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo*."

NetCo's costs of developing, maintaining, repairing, upgrading, protecting and replacing its existing fixed-line network are high and could become higher than expected.

NetCo must continue to develop, maintain, repair, improve, upgrade and replace its existing fixed-line network in a timely and satisfactory manner to retain and expand its offering in each of its coverage areas. A reliable and high-quality network is necessary to sustain its customer base, maintain strong customer relationships and a good reputation and satisfy regulatory requirements, including minimum service requirements. The continuous development, maintenance, repair, enhancement, protection, and renewal of NetCo's network are critical activities that require dedicated management's time and capital investment. These activities are also sensitive, among other things, to changes in commodity prices and hinge on NetCo's ability to:

- ensure ongoing maintenance, timely repairs and upgrades to maintain the functionality of its fixed-line network, enabling the provision of increasingly tailored services to customers;
- enhance network coverage, particularly in areas where NetCo faces competition and needs to strengthen its market presence;
- improve and streamline network management and administrative systems to support efficient operations;
- invest in the development and expansion of network capacity to meet the growing demand for bandwidth; and
- modernize and upgrade outdated systems and network segments throughout Italy, transitioning from legacy copper networks to advanced fiber-based infrastructure to meet current and future connectivity needs.

Many of these factors are not entirely under NetCo's control and may be affected by, among other things, applicable laws and regulation. If NetCo fails to develop, maintain, repair, improve, upgrade and replace its existing fixed-line network, its services may be less attractive to its customers, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, to support these operational needs, NetCo must incur substantial maintenance capital expenditures. For the year ended December 31, 2023, these maintenance capital expenditures represented a significant portion of NetCo's revenue and are expected to continue to similarly affect NetCo's revenue particularly in the first years following the successful completion of the Transactions, underscoring the ongoing substantial investment required to maintain and enhance the network. See "*Management's Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo*." In addition, due to rapid changes in the telecommunications industry, NetCo's network investments may prove to be inadequate or may be superseded by new technological changes. See "*—NetCo is subject to market competition.*" As a result, NetCo may encounter situations that necessitate additional capital expenditure to address such events and satisfy customer demand. NetCo may not be able to generate sufficient operating cash flows and external financing sources may not be available in an amount sufficient to enable it to meet such additional capital expenditures on schedule or at all. Inability to execute timely and sufficient capital expenditures or investments, or to allocate funds effectively, could compromise the reliability and performance of NetCo's network. This could in turn have a material adverse impact on NetCo's business, financial condition, results of operations and prospects.

NetCo's business may be adversely affected if it fails to successfully implement its ultrabroadband fixed-line network strategy and objectives.

One of NetCo's goals is to accelerate the roll out of a new telecommunications network capable of providing its customers with ultrabroadband connections, also in part thanks to the use of government subsidies and funds, such as those linked to the NRRP in the regions where NetCo won tenders.

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

- NetCo's ability to secure government subsidies and funds;
- Growing competition for NetCo, especially in the Black Areas where Open Fiber operates;
- NetCo's ability to provide superior ultrabroadband services to its customers relative to Open Fiber;
- NetCo's delayed receipt of the necessary permissions and authorizations for installation of lines (including any required permits in relation to environmental, urbanistic, building, expropriation, zoning and fire prevention matters) and NetCo's ability to ensure continued compliance with the requirements set forth by such permits;
- resistance by road administrators to the use of innovative techniques for excavation and the laying of fiber optic cables;
- delay in supply of material and devices due to possible supply chain shocks;
- potential network interruptions or related capacity problems with network infrastructure;
- NetCo's ability to obtain adequate returns from the investments related to its network development;
- increase in transport, raw materials and labor costs of network companies due to inflationary pressures and increase in energy costs (see "*—Risks related to Macroeconomic Conditions Affecting NetCo*"); or
- delay by SINFI (*Sistema Informativo Nazionale Federato delle Infrastrutture*) in the verification and control activities required for coordination and transparency under the new Italian broadband and ultrabroadband strategy (among other functions, SINFI promotes the sharing of infrastructure through an orderly management of underground and above ground infrastructure and the related maintenance, and also offers a single dashboard that efficiently manages and monitors maintenance).

If NetCo fails to achieve its objectives for the implementation of ultrabroadband coverage promptly, or at all, this may materially and adversely impact its business, results of operations and financial condition.

Furthermore, any delays in completing in NRRP tenders' roll outs are subject to predetermined penalties, which can be significant and have a material adverse effect on the financial outcomes of the projects. These penalties encompass fixed charges per each unconnected street address and increase with the length of the delay, potentially leading to the overall revocation of the awarded grants.

The assumptions used in estimating cost-savings associated with NetCo's fiber roll out and/or NetCo's fiber take-up objectives are forward-looking in nature.

Certain forward-looking cost-savings initiatives associated with NetCo's planned fiber roll out and certain forward-looking fiber take-up objectives and FTTH conversion rates that NetCo expects to realize are presented in the Exchange Offer Memorandum. The assumptions used in estimating cost-savings, including the components of such estimates, and the steps to be taken to realize such cost-savings, as well as and the assumptions used in estimating the timing and degree of fiber take-up NetCo plans to achieve in the short- to medium-term are forward-looking in nature, inherently uncertain and subject to a variety of business, economic and competitive risks and uncertainties. It cannot be guaranteed that the information on which such estimates and assumptions are based on will not change or that

NetCo will be able to realize the cost-savings or benefits that NetCo deems possible based on these estimates and assumptions. See "*Summary—NetCo's Key Strengths*" and "*Summary—NetCo's Strategy*."

NetCo's recognition as a "wholesale-only" operator and its related regulatory benefits will be subject to AGOM's assessment.

NetCo expects that the successful completion of the Transactions will result in NetCo being recognized as a "wholesale-only" operator. However, there can be no assurance that said designation will apply to NetCo after such Transactions, as such decision will ultimately depend on the assessment of AGCOM. See "*—Risks Related to NetCo's Business Activity and Industry—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment could adversely affect its business,*" "*NetCo Regulation.*"

Any deterioration of the financial condition of NetCo's key customers could adversely affect its results of operations.

NetCo depends on a limited number of telecommunication operators, including the TIM Group, which contribute a significant share of its revenue. In the event one of NetCo's key customers (i) reduces its demand for NetCo's services, mainly due to (x) changes in NetCo's regulatory framework (*e.g.*, unfavorable pricing models and contractual terms being introduced by regulators), (y) customers' latency and bandwidth needs and/or (z) competing technology advancements (*e.g.*, 5G, LEOS and FWA connectivities), (ii) experiences a major disruption in its business, such as a strike, work stoppage or slowdown or a supply chain problem (iii) files for bankruptcy protection, NetCo's business, financial condition and results of operations could be materially adversely affected. In addition, any consolidation in NetCo's customer base could result in pricing pressure, which in turn could have a material adverse effect on NetCo's business, financial condition, results of operations and prospects. See "*NetCo Regulation*."

NetCo has no history of operating as an independent company.

Upon the successful consummation of the Transactions, NetCo is expected to become the first national independent open-source fixed-line network provider not vertically integrated in a major European country, offering wholesale broadband and ultrabroadband services to telecommunications operators. However, NetCo has not previously operated as an independent company.

As NetCo transitions to full independence in its operations, supported by the Transitional Services Agreement with the TIM Group, the predictability of its future performance remains uncertain. In particular, NetCo's business will require the ongoing availability and uninterrupted operation of internal and external systems and services. As part of its transition to an independent and fully operational company, NetCo will receive certain services from the TIM Group under the Transitional Services Agreement, which will include, among other things, services related to IT hybrid systems and cyber-security. Any disruption in the operation of these facilities or platforms or access to the Internet would adversely affect the NetCo's business, financial condition and results of operations. For further information, see "*—Achieving a fully operational regime may be complex, could cause NetCo to incur unexpected costs. There can be no assurance that NetCo will be able to deliver all of the expected benefits underlying the Transactions*" and "*Summary—The Transactions—Transitional Services Agreement*." In particular, following the Transactions, EBLco and other shareholders will appoint new directors to the board of directors of the NetCo group of companies. The board of directors of Optics HoldCo will be in charge of, among other things, appointing the senior management of the NetCo group in consultation with EBLco and other shareholders. The NetCo Group could also encounter challenges in recruiting the necessary executive talent. See "*—Failure to recruit, retain and engage skilled employees may materially and adversely impact NetCo's business, financial condition, results of operations and/or prospects*." The expertise and understanding of NetCo's business, regulatory constraints and market dynamics by such directors and senior executives cannot be assured.

Furthermore, the estimated costs and timelines for achieving full independence in its operations are subject to risks and uncertainties, including those associated with NetCo establishing itself as a fully independent wholesale telecommunications operator. There can be no assurance that NetCo's estimates regarding the costs and time required for such transition will be accurate. See "*—Certain information relating to NetCo and the impacts of the Transactions on Optics have been provided by Optics and have not been independently verified by the TIM Group*." The transition process is complex and may encounter delays, budget overruns and other unknown or unforeseen factors. NetCo's

ability to develop the necessary operational and administrative capabilities to function independently or expand its business cannot be guaranteed.

In addition, the considerable majority of NetCo's revenue is expected to be subject to regulatory constraints. See "*NetCo Regulation*" and "*—To the extent cost-orientation obligations based on the BU-LRIC+ model, as implemented by AGCOM, could be maintained with regard to certain of NetCo's activities, NetCo's business, results of operations and financial condition may be adversely affected*." These changes could have a material adverse effect on NetCo's ability to finance its capital expenditures as well as manage its debt obligations effectively.

Prospective investors of the Optics Notes should carefully consider NetCo's business and prospects in light of the risks and challenges NetCo faces as a company with no independent operational history, low diversification and subject to certain regulatory constraints. Key considerations include NetCo's ability to:

- retain its customer base, especially in competitive market segments;
- accurately price services not governed by regulated pricing models;
- successfully service its customers;
- maintain and improve its operational efficiency;
- successfully operate and improve its technology platform while maintaining a reliable, secure, high-performance, and scalable network infrastructure;
- carefully and appropriately budget expenses;
- attract and retain qualified personnel, including NetCo's senior management;
- anticipate trends that may emerge and affect its business;
- anticipate and adapt to changing market conditions, including technological developments and changes in competitive landscape;
- obtain, maintain, and renew necessary licenses and authorizations in a timely and cost-effective manner;
- secure government subsidies promptly; and
- navigate a dynamic and intricate regulatory environment.

Failure to successfully address these risks and challenges could materially and adversely affect NetCo's business, results of operations, financial condition and prospects.

Achieving a fully operational regime may be complex, could cause NetCo to incur unexpected costs. There can be no assurance that NetCo will be able to deliver all of the expected benefits underlying the Transactions.

In connection with the Transactions, on the Acquisition Closing Date, NetCo will enter into a Transitional Services Agreement with the TIM Group pursuant to which, among other things, the TIM Group will agree to provide or procure certain transitional services to NetCo for a certain period of time with the aim of facilitating the transition to separate operations. These services include, *inter alia*, certain information technology, such as the provision of the TIM Group's IT hybrid systems and cyber-security services. For further information regarding the Transitional Services Agreement, please see "*Summary—The Transactions—Transitional Services Agreement*." As a result, during the term of the Transitional Services Agreement, NetCo could be subject to, among other things (i) certain one-time costs and other duplicative expenses associated to transitional activities, (ii) unexpected additional costs or adverse impacts on its business functions as a result of the separation process or performance of NetCo's obligations under such Transitional Services Agreement and/or (iii) potential liabilities if it fails to deliver certain obligations to

the TIM Group or does not receive the necessary services from the TIM Group, each of which could adversely affect its business, results of operations and financial condition.

Moreover, there can be no assurance that NetCo will successfully complete the transition to a fully operational company within NetCo's estimated timeline. In such event, failure to renew or replace such arrangements on a comparable basis could have a material adverse effect on NetCo's business, financial condition, results of operations and prospects. See also "*—NetCo has no history of operating as an independent company*."

NetCo relies on certain suppliers to provide services to its direct customers and to support its operations. Any delay or failure by such suppliers to provide their services or products, any increase in the prices they charge NetCo or any decision not to renew their contracts with NetCo could cause delay or interruptions in its operations, which could damage its reputation and result in the loss of revenue and/or customers.

NetCo has key relationships with limited hardware, software and services suppliers essential for delivering its services. It also depends on limited number of leading international telecommunications equipment manufacturers for equipment and services necessary to maintain and expand its fixed-line network infrastructure.

The successful maintenance, expansion and functioning of NetCo's network are contingent upon timely access to core and transmission telecommunications equipment (*e.g.*, network terminals and base stations), network materials (including fiber optics and copper), switching equipment, radio access network solutions and other essential services and products. Most of this equipment cannot be sourced locally.

NetCo's operations could be significantly affected by disruptions in the business or supply chains of its key suppliers due to various factors, including, among other things, major geopolitical events, changes in laws or regulations, the imposition of restrictions to manage health crises such as the COVID-19 pandemic, ongoing military conflicts such as the Russia-Ukraine conflict, trade disputes, and direct or indirect export and re-export restrictions. In addition, NetCo aims to engage a number of independent contractors to outsource certain operations aimed at developing and upgrading its network and the services provided to its customers. Although NetCo works with a carefully selected and closely monitored limited number of independent contractors, it cannot ensure that their tasks will always be executed properly, timely and in full compliance with NetCo's stringent quality and safety standards, or that these tasks will not be further delegated to subcontractors.

Should products or services from suppliers or independent contractors prove defective, or if they fail to perform their tasks adequately, enforcing recourse claims against them may be challenging, particularly if they are insolvent, either wholly or partially. Such scenarios could have a material NetCo's business, financial condition and results of operations.

Moreover, NetCo might find difficulties in find replacements for its suppliers or independent contractors if they fail to provide the equipment or services that NetCo deems necessary. Any delays or difficulties in obtaining adequate supplies or services on favorable terms could lead to increased costs or impede NetCo's ability to maintain and expand its network, which could materially and adversely affect its business, financial condition, results of operations and prospects.

There can be no assurance that NetCo will be able to obtain products and services critical to deliver high quality broadband and ultrabroadband services to its customers, in a timely manner, on competitive terms and in adequate amounts, or at all. The occurrence of any of these risks may create technical problems, damage its reputation, result in the loss of customers, each of which could have a material adverse effect on its business, financial condition and results of operations.

NetCo's business may be affected by unpredictable instant surges in traffic.

NetCo's fixed-line network performance may be significantly impacted by sudden and substantial surges in traffic, such as those caused by live video events broadcasted by OTT or CSPs over the IP network. Such unexpected increases in traffic may lead to network congestion, resulting in slowdowns or temporary disruptions in communication. These performance issues have the potential to harm NetCo's reputation and customer satisfaction. In Black Areas, where

NetCo primarily faces competition, these service disruptions could result in end-consumer churn, which in turn could potentially affect NetCo's business operations and financial results. See "—*NetCo is subject to market competition*."

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

NetCo's future success largely depends on the continued and uninterrupted performance of its IT, fixed-line network infrastructure and of certain hardware that it manages for its customers. In particular, NetCo's operations require uninterrupted, accurate, permanently available, real-time and safe transmission of data through its fixed-line network.

NetCo's technical infrastructure (including its network infrastructure for fixed telecommunications services) and the assets managed on behalf of its customers, are vulnerable to damage or interruption from technology failures, power loss, floods, heatwaves, windstorms, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at NetCo's facilities, system failures, hardware and software failures, computer viruses and cyber-attacks (including information theft, data corruption, operational disruption or financial loss associated with the foregoing) 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 NetCo's levels of customer satisfaction, reduce its customer base and harm its reputation.

NetCo 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.

NetCo's business is subject to cybersecurity risks.

NetCo's fixed-line network and equipment are vulnerable to a range of cybersecurity threats.

Despite efforts to modernize its fixed-line network and replace outdated systems, NetCo's networks and systems are vulnerable to security threats, including cyber-attacks from internal and external sources. The cyber security attacks may be committed by third parties operating in any region, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective. These attacks can disrupt service availability and compromise data, posing a significant risk to NetCo's reputation as a prominent provider of critical fixed-line network infrastructure. NetCo works to prevent and limit the impact of cyber-attacks, but an absolute protection cannot be guaranteed and NetCo or its third-party providers and other contractors cannot assure that cyber-attacks may materialize in the future.

To address these risks, NetCo 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 its IT systems.

Furthermore, in order to partially mitigate any economic-financial impact deriving from cyber-attacks, NetCo has structured a specific financial risk transfer policy through dedicated insurance coverage. In addition, further obligations may be imposed on NetCo in case NetCo is included within the National Cyber Security Perimeter – NCSP following the successful completion of the Transactions.

The inability to operate NetCo's fixed-line network and systems as a result of cyber-attacks, even for a limited period of time, may result in significant expenses, reduced customer satisfaction and potential loss of revenue. The costs associated with a major cyber-attack could include expensive incentives offered to existing customers to retain their business, increased expenditures on cyber-security measures and the use of alternate resources, lost revenues from business interruption and litigation. A major security incident or business interruption, or non-compliance with applicable laws and regulations, could result in financial loss, reputational damage, negative ESG impact, market share loss and regulatory sanctions. Further, as cyber-attacks continue to evolve, NetCo may incur significant costs in the attempt to modify or enhance its protective measures or investigate or remediate any vulnerability. Any loss of confidential or proprietary data through a breach could have a material adverse effect on NetCo's business, financial condition, results of operations and prospects. Pursuant to the applicable data protection regulations, if a significant or widely publicized unlawful disclosure of employee or customer data were to occur, whether as a result of a failure

of NetCo's information technology security systems and/or employee negligence, NetCo may be subject to legal claims by individuals, fines or other enforcement action. *See* "*—NetCo's activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code.*"

Future partnerships or joint ventures that NetCo may enter into may not bring the expected financial results and could harm its business.

NetCo may enter into relationships with other businesses in order to further expand its presence across business segments and coverage areas. Negotiating these transactions can be time-consuming, difficult and expensive, and NetCo's ability to close these transactions may be subject to third-party approvals, such as government regulatory approvals, which are beyond its control. Consequently, no assurance can be made that these transactions, once undertaken and/or announced, will eventually close. NetCo may invest substantial amounts in these joint ventures and it cannot be assured that they will produce the expected returns.

NetCo may enter into strategic transactions, such as acquisitions, investments or dispositions, involving unforeseen risks, and it may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions.

As part of NetCo's business strategy, NetCo may evaluate and pursue strategic and opportunistic acquisitions and investments, any of which could be material to its financial condition or results of operations. It cannot be guaranteed that NetCo will be able to continue making such acquisitions and investments, and its ability to enter into these transactions may be limited by many factors, including availability of financing, complex ownership structures among potential targets, competition from other potential acquirers and government regulation. In addition, if the Purchase Price is paid in cash, this will reduce NetCo's cash reserves. Further, NetCo's debt burden may increase if it borrows funds to finance any future acquisition or investments, which could have a negative impact on its cash flows and its ability to finance its overall operations and make cash interest payments on its outstanding indebtedness, including the Optics Notes. Acquisitions and investments pose certain risks, for example, difficulties or delays in consolidating operations and achieving anticipated synergies, cost savings, revenues and cash flow enhancements, growth, ESG performance integration, operational efficiencies and other benefit, diversion of managerial resources away from its day-to-day business operations and the assumption of unexpected liabilities and undisclosed risks. Even if NetCo may be successful in acquiring new businesses, the integration of such businesses may prove to be more difficult than it initially anticipated and could create unforeseen operating difficulties and expenditures. However, it cannot be assured that any benefits will materialize, or it may not suffer any losses in connection to the used funds and to the opportunity costs related to such transactions.

Additionally, NetCo may encounter liabilities during due diligence for future acquisitions or investments that were not disclosed or underestimated, such as unpaid debts, tax or pension liabilities, or legal and regulatory compliance issues. The due diligence process, reliant on available resources and information from sellers and third-party advisors, may not uncover all relevant facts, and there can be no assurance of the completeness or ongoing accuracy of the information provided.

Furthermore, certain of NetCo's contracts contains "change of control" provisions that require the acquired or acquiring company to notify the counterparty of a potential change of control, or contain language that could be interpreted as allowing, subject to certain conditions, the counterparty to terminate the contract. If a substantial number of these contracts are or will be terminated as a result of a potential acquisition or disposition, NetCo may be forced to enter into new contracts on less favorable terms, or it may be unable to secure replacements. While it strives to mitigate unexpected liabilities and risks though contractual protections in its acquisition and disposition documentation, it cannot be assured that such protections will be effective.

Any of these risks, individually or in the aggregate, could have a material adverse effect on NetCo business, financial condition and results of operations.

NetCo may encounter compliance issues and have liabilities that are not known to Optics or greater than anticipated.

NetCo may have liabilities or compliance issues with respect to applicable laws and regulations that were unknown to the TIM Group and Optics or that Optics failed or was unable to discover while performing its due diligence investigations in connection with the Transactions. In addition, Optics may underestimate the actual value of the liabilities that Optics discovered in connection with such due diligence activities. Therefore, such liabilities may be greater than Optics expected. See "*NetCo Regulation*" and "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Legislative and Legal Framework*." Any such unknown or previously underestimated liabilities or any compliance issues, individually or in the aggregate, could have a material adverse effect on NetCo's business, financial condition and results of operations. In addition, there can be no assurance that the due diligence exercise Optics has undertaken highlighted all relevant facts necessary or helpful in evaluating the Transactions.

NetCo is dependent on intellectual property rights, particularly patents and licenses, and inadequate protection of its intellectual property rights, or intellectual property rights litigation, could adversely affect its business.

NetCo depends on copyright, trademark, and patent laws to establish and safeguard its intellectual property rights, but cannot guarantee the effectiveness of its actions to prevent violations or ensure the protection of its intellectual property, particularly its patents. Litigation may be necessary to enforce its patent rights, which could be costly and ultimately unsuccessful, this may potentially impact on certain aspects NetCo's business relying on the exclusive use of NetCo's own intellectual property, if any, and could ultimately affect NetCo's results of operations and financial condition.

Upon completion of the Transactions, NetCo will rely mainly on agreements with third parties, including vendors of network apparatus/systems and service vendors, to utilize its network, conduct operations and provide services. Intellectual property warranty, hold-harmless and indemnification clauses in the agreements with providers are meant to protect NetCo, to the extent possible, from intellectual property disputes with third parties. Notwithstanding the above, NetCo, operating in an industry prone to intellectual property disputes, may encounter aggressive litigation from other market participants or non-practicing entity intellectual property owners. Despite efforts to comply with intellectual property laws, ensure intellectual property warranty, hold-harmless and indemnification protection from third party providers and establish intellectual property compliance mechanisms, there is no guarantee against infringement of third-party intellectual property rights, particularly on any internally developed (or internally integrated) network or service solution used by NetCo or provided by NetCo to clients, as any such solution, being not entirely sourced from third parties, might be not fully covered by the provider's intellectual property warranty, hold-harmless and indemnification protection. Such claims or lawsuits could be expensive to defend and divert technical and management resources.

The outcome of any litigation related to infringement claims against NetCo is uncertain. Successful claims could result in significant damages, cessation of certain services, or the need to obtain licenses, potentially affecting NetCo's business, results of operations, financial condition and prospects.

Uninsured losses, losses in excess of insurance coverage for certain risks and unanticipated changes in NetCo's insurance costs could have a material adverse effect on its business, financial condition, cash flows and/or results of operations.

NetCo maintains insurance coverage to protect against a broad range of risks, including, among others, property damage, data breaches, business interruptions, directors' and officers' liability, professional indemnity, third party liability, at levels it believes to be appropriate and consistent with current industry practice. However, such insurance may not cover all risks associated with its business and is subject to limitations, including deductibles and limits. NetCo may incur losses beyond these maximum limits or outside the coverage of its insurance policies. If this occurs, and it incurs liability, it could have a material adverse effect on its business, financial condition and results of operations.

In addition, from time to time, various types of insurance for companies in NetCo's industry have not been available on commercially acceptable terms or, in some cases, have not been available at all. In the future, NetCo may not be able to obtain coverage at current levels, and/or premiums and deductibles for certain insurance policies may increase

significantly on the policy coverage that NetCo currently maintains. If some insurance coverages are not available at economically acceptable premiums, there is a risk that NetCo's could decide to reduce its level of coverage.

Furthermore, to discharge an uninsured large claim or prior to receiving significant reimbursement of insurance proceeds, NetCo may need to divert capital from other planned expenditures. Costs associated with unanticipated events in excess of its insurance coverage, or a failure to maintain such coverage could materially adversely affect its business, financial condition, cash flows and results of operations.

Failure to close the digital divide may harm NetCo's business.

The digital divide is a significant barrier to the expansion of digitization and related connectivity services, with risks arising from the mismatch between the supply of advanced products and services and the demand for traditional ones.

A crucial measure of the digital divide is the adoption rate of fiber connectivity, also known as "**take-up**." Deploying fiber networks is capital-intensive, and insufficient consumer take-up presents significant risks for NetCo. In Italy, as of December 31, 2022, the fiber take-up rate was approximately 26.8% according to AGCOM, markedly lower than the corresponding rates recorded in other European countries. This disparity can impact NetCo's reputation, as it may be perceived as failing to facilitate Italy's technological advancement. Additionally, in the long term should NetCo experience low fiber take-up relative to Open Fiber or low FTTH conversion rates it could lead to substantial financial losses, with the potential for significant investments in infrastructure not yielding the expected returns. If NetCo's strategies either to bridge the digital divide or hedge the risk of not doing so by relying upon its existing ADSL and FTTC networks are not effective, NetCo could face reputational harm and revenue losses, adversely impacting its results of operations, financial condition and prospects.

Failure to meet stakeholders' Environmental, Social and Governance ("ESG") expectations, as well as increasing ESG regulatory requirements, may lead to reputational loss, loss of business or limit access to sustainable finance, as well as to the imposition of fines and other regulatory constraints. Operational and financial costs and cost of capital associated with enhancing ESG performance may be significant.

NetCo's operations and value chain have negative environmental impacts, in particular in terms of GHG emissions and of e-waste. The majority of NetCo's GHG emissions are generated from its operations and maintenance activities, while e-waste is primarily associated with network components, such as copper-based products and network equipment.

NetCo is subject to certain requirements and expectations from its stakeholders to manage these negative impacts. There is a growing trend in regulatory and self-regulatory measures globally, focusing on improving energy efficiency in transitioning to fiber-based network infrastructure and CO_2 reduction. Compliance with such environmental standards may result in increased operational and financial costs for NetCo.

The worsening of climate change increases the likelihood and severity of extreme weather events such as droughts, floods, windstorms and heatwaves which may cause severe disruptions to telecommunications services, reduce the work efficiency (hours actually worked) and have a consequential impact on NetCo's business. More extreme weather may also drive the need for additional investments in cooling technology and other more resilient infrastructure; the risk that external environmental condition can pose for business continuity could increase the weighted average cost of capital (WACC). Failure to implement circular business models such as offering of services designed with eco-sustainable criteria or the use of sustainable materials may lead to lost opportunities for cost savings and a failure to realize additional revenue Furthermore, Increasing electricity prices, the availability of renewable energy certificates or the possible introduction of carbon taxation could also increase operational costs for NetCo.

Moreover, there is a global trend towards ESG-related financial disclosure. Several countries have established mandatory disclosure regimes and/or set timelines for the implementation of legislation regarding mandatory climate, social and governance related disclosure requirements. For example, the European Commission has established a number of sustainability-related reporting and compliance regimes, including the Non-Financial Reporting Directive and the Corporate Sustainability Reporting Directive, which will enhance the scope and reporting requirements under the Non-Financial Reporting Directive, as well as proposals for new regulatory regimes that are aimed at, for example, prohibiting corporates from placing or making available on the EU market or exporting from the EU market products

made with forced labor; requiring companies to identify, prevent, bring to an end, mitigate and account for adverse human rights and environmental impacts in operations, subsidiaries and value chains; and enhancing gender pay reporting requirements. The Sustainability Reporting will have to be in accordance with the EU Sustainability Reporting Standards (ESRS), which will increase mandatory reporting requirements. The ESRS will require to disclose information aligned with the EU Taxonomy (2020/852/EU) as well as climate-related information in line with the recommendations of the TCFD. Potentially the lack of criteria aligned to the EU legislation on Taxonomy could have impacts also on the sources of financing.

Failure to meet regulatory and stakeholders' requirements or expectations about ESG topics may lead to reputational loss, loss of business or limit access to sustainable finance, as well as to the imposition of fines and other regulatory constraints.

Failure to recruit, retain and engage skilled employees may materially and adversely impact NetCo's business, financial condition, results of operations and/or prospects.

NetCo's ability to attract, recruit, retain and train qualified, specialized and motivated personnel is essential for executing its business strategies effectively.

The demand and competition for high skilled employees in the telecommunications industry, such as electrical engineers, telecommunication engineers and talents in general is becoming increasingly challenging. To secure appropriate talent, NetCo needs to recruit, develop and retain highly skilled employees. Failure to recruit, develop and retain necessary skilled employees could lead to adverse consequences, such as reduced revenue and increased vulnerability to market downturns. Such outcomes could materially and adversely affect NetCo's business, financial condition, results of operations and/or prospects.

Following the successful completion of the Transactions, the interest of NetCo's controlling shareholder and/or minority shareholders may conflict with the interests of NetCo and the holders of the Optics Notes.

Optics is controlled by funds advised by KKR. Upon the successful completion of the Transactions, Optics will own more than 95.5% of NetCo.

Fastweb currently owns a 4.5% stake in FiberCop. Subject to the outcome of current negotiations among the parties, Optics may acquire Fastweb's stake in NetCo or Fastweb may remain a minority shareholder in NetCo following the Acquisition. If Fastweb continues to be a shareholder of NetCo following the Acquisition, the minority stake of Fastweb is expected to be diluted in connection with the consummation of the Acquisition. There can be no assurance that the interests of this minority shareholders will not conflict with those of NetCo and/or the holders of the Optics Notes.

As a result, KKR via its control of Optics will possess significant influence over most corporate decisions, including the selection and dismissal of a majority of directors, appointment of a certain number of statutory auditors, certain modifications to the NetCo's articles of associations and by-laws and other substantial transactions, including dividend distributions. Consequently, KKR's ability to direct these matters could lead to decisions that may not align with the interests of NetCo and/or the holders of the Optics Notes.

In addition, it is expected that an investment vehicle controlled by the Abu Dhabi Investment Authority, an investment vehicle controlled by the Canadian Pension Plan Investment Board, an investment vehicle controlled by Fondi Italiani per le Infrastrutture SGR S.p.A. and the MEF will invest for a stake of up to approximately 17.5%, 17.5%, 11% and 16% of Optics HoldCo, respectively, with the final stakes of their respective investments depending on the actual equity capital needed at completion of the Transactions. There can be no assurance that the interests of these minority shareholders will not conflict with those of NetCo and/or the holders of the Optics Notes.

KKR is in the business of making investments in companies and may acquire and hold interests in businesses that compete, directly or indirectly, with NetCo and/or that operate in its markets or adjacent ones. In addition, KKR may also pursue acquisition opportunities that are complementary to or in competition with NetCo's business and, as a result, those acquisition opportunities may not be available to NetCo. Furthermore, KKR may hold interests in suppliers or customers of NetCo. KKR and its affiliates could also have an interest in pursuing acquisitions,

divestitures (including one or more divestitures of all or part of NetCo's business or sales of its shares which would result in changes to NetCo's shareholding structure), financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to prospective investors of the Optics Notes.

There can be no assurance that shareholders deadlocks at Optics HoldCo will not affect the operations and business of NetCo and/or the holders of the Optics Notes.

Other than funds advised by KKR, it is expected that an investment vehicle controlled by the Abu Dhabi Investment Authority, an investment vehicle controlled by the Canadian Pension Plan Investment Board, an investment vehicle controlled by Fondi Italiani per le Infrastrutture SGR S.p.A. and the MEF will invest for a non-controlling stake of up to approximately 17.5%, 17.5%, 11% and 16% in Optics HoldCo, respectively with the final stakes of their respective investments depending on the actual equity capital needed at completion of the Transactions. Consequently, Optics HoldCo faces the risk of its shareholders being unable to agree on critical decisions, which could materially affect its decision-making processes and lead to deadlocks that can further potentially impact the interests of Optics and, following the Push-Down Merger, of NetCo, and as such of the holders of the Optics Notes.

Under Optics HoldCo's shareholders agreement, in the event of a deadlock, which is defined as a matter for which votes in favor and against are equal in number, the shareholders agree to cooperate in good faith to attempt to resolve such deadlock within a designated period. If the deadlock remains unresolved upon expiry of such period, the relevant matter is deemed not approved.

In the event of a deadlock, Optics HoldCo's ability to make timely and effective decisions could be impaired, and potentially affect critical decision-making processes at its direct subsidiary, NetCo. This, in turn, could negatively impact NetCo's operations and financial performance. Moreover, shareholder deadlocks may necessitate additional financial and managerial resources to resolve disputes, including potential litigation or arbitration costs. The effort to break deadlocks could also result in the alteration of governance structure or changes in the Optics HoldCo's shareholder base, which may result in incremental negative outcomes for NetCo's business and/or the holders of the Optics Notes. Accordingly, there can be no assurance that such deadlocks will not occur or, if they do occur, that they will not have a material adverse effect on Optics HoldCo, NetCo or the holders of the Optics Notes.

Certain information relating to NetCo and the impacts of the Transactions on Optics have been provided by Optics and have not been independently verified by the TIM Group.

Certain information presented in this Exchange Offer Memorandum, particularly those related to NetCo's business structure, financial projections and strategic plans, the financial arrangements of Optics in connection with the Transactions as well as the impacts of the Transactions on Optics have been supplied by Optics. See "*Forward-looking Statements*." While TIM's management considers this information and any associated estimates to be reliable, neither the TIM Group nor its advisors or consultants have independently verified their accuracy or completeness, nor have they ascertained the underlying assumptions relied upon therein. This information and estimates involve risks and uncertainties and are subject to change based on various factors, including those described under "*Risk Factors—Risks Related to NetCo*." Accordingly, no assurance can be provided regarding the feasibility of NetCo's business structure and business plans or the accuracy of future performance projections. Prospective investors of the Optics Notes should carefully consider the risks associated with relying on such information when making investment decisions.

Risks Related to Macroeconomic Conditions Affecting NetCo

Global economic conditions and political events could adversely affect NetCo's business, results of operations and financial condition.

NetCo's operations are influenced by global geopolitical events, including the ongoing Russia-Ukraine conflict and recent military tensions between Hamas and Israel. These situations have indirect yet tangible effects on NetCo's business, primarily through increased costs in energy, raw materials, and transportation.

At the moment the impact of the geopolitical situation on NetCo's business is of an indirect nature, primarily associated with the increase in costs of energy, materials and transportation. This geopolitical situation has contributed to a general rise in energy prices and there can be no assurance that a potential shift in the strategic outlook of the war does not materialize, which could further adversely impact energy prices. See "—*Increasing energy costs and NetCo's inability to effectively implement pass-through mechanisms may adversely affect its results of operations*."

The recent outbreak of an armed conflict between Hamas and Israel in early October 2023 and the direct involvement of Iran in hostilities in April 2024 presents a risk of regional escalation in the Middle East. Although NetCo does not engage in operations within Middle Eastern countries, the duration, ramifications and outcome of this conflict are highly uncertain. Potential short- or long-term consequences may include economic sanctions, economic and political instability, rising inflation and energy costs, supply chain disruptions and negative impacts on currency exchange rates and financial markets.

More generally, escalating geopolitical tensions, either in Europe or worldwide, could affect NetCo's operations, including the safety and security of its employees and the integrity of its network operations. These events, individually or in the aggregate, could materially and adversely affect NetCo's business, financial condition, results of operations and prospects.

Adverse changes in global financial markets could limit NetCo's ability to access capital or increase the cost of capital needed to fund its operations.

During 2021, 2022 and 2023, uncertainty surrounding global growth rates, inflationary pressures, the Russian-Ukraine armed conflict as well as the potential risk of regional escalation in the Middle East following the armed conflict between Hamas and Israel, continued to produce volatility in the credit, currency and financial markets. Volatility may affect companies' access to the credit markets, leading to higher borrowing costs, or for funding ongoing operations. NetCo, similarly to other operators in the telecommunications industry, contracts with large financial institutions to support its own operations, and may enter into contracts to hedge its exposure on interest rates and foreign exchange and the funding of credit lines and other short-term debt obligations. These financial institutions face stricter capital-related and other regulations in Italy and Europe, as well as ongoing legal and financial issues concerning their loan portfolios, which may hamper their ability to provide credit or raise the cost of providing such credit.

While NetCo may prove to be successful in accessing the credit and fixed income markets when needed, adverse changes in the financial markets could render it able to access these markets only at higher interest costs and with restrictive financial or other conditions, severely affecting its business operations. Additionally, downgrades of its credit rating by the major credit rating agencies could increase its cost of borrowing and also impact the collateral NetCo would be required to post under certain agreements it enters, which could negatively impact its liquidity.

There is a risk that Italy's economic growth in 2024 will experience a slowdown.

NetCo currently operates exclusively in the Italian market and its success is therefore closely tied to general economic, legal and political developments in Italy and cannot be offset by developments in other markets. NetCo's operates in the fixed telecommunications industry in Italy. In the fourth quarter of 2023, Italy's gross domestic product expanded by 0.2% with respect to the previous quarter and by 0.6% compared to the fourth quarter of 2022. In 2023, Italy's gross domestic product at current prices grew by 6.2% compared to the previous year. The prospects for comparable growth in 2024 will hinge on Italy's employment growth, the deceleration of expansion and a partial increase in salaries.

A significant slowdown in Italy's economic growth could impact the demand for telecommunications products and services in Italy, which could have an adverse effect on NetCo's business, financial condition and results of operations.

Increasing energy costs and NetCo's inability to effectively implement pass-through mechanisms may adversely affect its results of operations.

NetCo is dependent on a constant supply of energy in order to manage its large fixed-line network and operations. If, for any reason, certain of its energy supply contracts were terminated or were not renewed upon expiration, or if

market conditions were to substantially change resulting in a significant increase in the energy prices, including as a result of the ongoing inflationary surge as well as the military conflict between Russia and Ukraine, NetCo could not be able to timely find alternative, comparable suppliers or suppliers capable of providing energy on terms or in amounts that NetCo deems satisfactory. See "*—Global economic conditions and political events could adversely affect NetCo's business, results of operations and financial condition*."

Even though NetCo maintains a sourcing strategy in place to stabilize its energy costs, in light of the current macroeconomic conditions, increases in energy costs in the short- to medium-term could adversely impact NetCo's margins. See "*Global economic conditions and political events could adversely affect NetCo's business, results of operations and financial condition*." For a description of the risks associated with NetCo's regulated activities, please see "*—Risks Related to NetCo's Business Activity and Industry—To the extent cost-orientation obligations based on the BU-LRIC+ model, as implemented by AGCOM, could be maintained with regard to certain of NetCo's activities, NetCo's business, results of operations and financial condition may be adversely affected*." However, NetCo may only be able to pass them through on a delayed basis, which could reduce its margins, either temporarily or for an extended period of time. If NetCo fails to effectively pass through such costs, its business, financial condition and results of operations may be negatively affected.

The inflationary pressure and rising input and borrowing costs may cause a slowdown in Italy's employment rate and ultimately in NetCo's direct customers' services demand.

The Italian economy is facing significant risks due to an energy price shock and high inflation. The inflation rate in Italy, which has 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 during the course of 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 the measures.

Labor 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. Overall, the unemployment rate, which as of December 31, 2023, was at around 7.2%, is expected to slightly rise over the next two years.

The Italian government's interest expenditure increased in 2021 by €5.5 billion due to higher bond yields on its debt, although the interest expenditure relative to GDP remained stable at 3.5%, and there is a need to reduce the country's general government debt-to-GDP ratio, which reached 172.5% in 2022. As a result, the Italian government's financial manoeuvring room will be very limited in the coming years, especially if European-level agreements on returning to fiscal discipline are implemented.

The above factors are affecting the spending capacity of NetCo's direct costumers and end-consumers. Prolonged macroeconomic conditions such as those described above could materially affect NetCo's direct customers. Given that NetCo is expected to provide wholesale-only related services to telecommunication operators, it could not take any proactive measure to offset such conditions. NetCo will remain dependant on how its direct customer will handle downfalls in demand. As a result, NetCo could be exposed to financial instability of its clients, thereby increasing its bad debts and reducing its revenue streams, which could in turn have a material adverse effect on its results of operations and financial stability.

Any outbreak of severe communicable diseases, including the emergence of new variants of COVID-19, could significantly affect NetCo's operations.

Since its outbreak in December 2019, a pandemic caused by coronavirus, COVID-19, had spread globally and had created significant macroeconomic uncertainty and disruption, affecting markets where NetCo has operations. In response, many governments had implemented measures to stop or slow the COVID-19 pandemic, such as lockdowns,

and these measures remained in place for a significant amount of time. The COVID-19 pandemic also led to scarcity of financing, weakness in the capital markets, weak consumer confidence and declining consumption in many markets. It also worsened the sovereign debt crises, particularly in the Eurozone.

The COVID-19 pandemic and the response thereto had materially adversely impacted other telecommunication operators and may in the future materially adversely impact NetCo's business, as well as its various stakeholders. As a result of COVID-19 pandemic, or any other outbreak of severe communicable diseases, NetCo's operations could experience delays and disruptions, such as heightened pressure on its networks by remote working trends and increases in data usage. In future, if business interruptions caused by epidemic or pandemics last longer than expected, NetCo may need to seek other sources of liquidity, and there can be no guarantee that additional liquidity will be readily available or available on favorable terms and in an amount sufficient to enable it to service and repay its indebtedness or to fund its other liquidity needs.

The repercussions of the COVID-19 pandemic and the response implemented could have complex and hard-to-predict consequences for the future. Additionally, to the extent the COVID-19 pandemic continues, or a different pandemic begins, it may also have the effect of heightening other risks described in this "*Risk Factors—Risks Related to NetCo*" section. The possibility of outbreaks of new COVID-19 strains, or other severe communicable diseases, cannot be completely excluded. It may affect NetCo's operations by resulting in, among other things, shortage of electronic components and other items used to manufacture its network equipment or increasing bad debt of its customers. It may also have significant negative effects on network improvements and maintenance, procurement and the supply chain, as well as decreasing margins, lower revenues or delays in cash flows. Additionally, any deterioration in financial markets could impair NetCo's ability to secure financing in the future, including its ability to incur additional indebtedness to operate its ongoing operations, fund liquidity needs or to refinance or repay debt obligations, including the Optics Notes. See "*NetCo's costs of developing, maintaining, repairing, upgrading, protecting and replacing its existing fixed-line network are high and could become higher than expected*" and "*NetCo's business is capital intensive and it may not have sufficient liquidity to fund its capital expenditures or generate the expected returns in the future.*" Any of the foregoing risks could materially and adversely affect NetCo's business, financial condition and results of operations.

Risks Related to NetCo's Legislative and Legal Framework

The Italian Golden Power Authority has in the past exercised its special powers under the Italian Golden Power Legislation with respect to the TIM Group and may in the future exercise again the said special powers, including with respect to strategic transactions to be entered into by NetCo.

In Italy, the Italian Golden Power Legislation provides the Italian Golden Power Authority with certain special powers over companies of strategic importance for the national essential interests.

In particular, pursuant to the Italian Golden Power Legislation, the Italian Golden Power Authority may, among other things, exercise a veto or impose, undertakings, conditions and other requirements in certain cases, such as:

(i) the acquisition of certain shareholdings in Strategic Companies; and

(ii) resolutions, acts or transactions concerning Strategic Companies that hold strategic assets, and which involve a change in the ownership, control, possession or intended use or purpose of such assets or relationships of strategic importance, such as mergers, de-mergers, transfers of assets or business units in which such assets are included and the enforcement and, according to a prudential interpretation, the granting or extension of securities over (i) the shares, if it concerns a shareholding in a Strategic Company meeting or exceeding, as the case may be, the thresholds indicated below or (ii) on strategic assets.

With reference to the acquisition of shareholdings in Strategic Companies, the Italian Golden Power Legislation provides that the following transactions, acts and resolutions shall be communicated to the Italian Golden Power Authority for screening purposes and the possible exercise of the right of veto or the imposition of undertakings, conditions and/or other requirements:

- acquisitions by both EU/EEA (including Italian) and non-EU/EEA natural persons or legal entities of shareholdings in Strategic Companies in the defense and national security sectors exceeding 3% of the share capital and/or voting rights, and subsequently in the event of exceeding the thresholds of 5%, 10%, 15%, 20%, 25% and 50%;

- acquisitions, by non-EU/EEA natural persons or legal entities, of a stake representing at least 10% of the share capital and/or the voting rights (when the value of the investment is equal to at least €1.0 million) of a Strategic Company in any sector covered by the Italian Golden Power Legislation; acquisitions that exceed the thresholds of 15%, 20%, 25% and 50% or that in any case result in the acquisition of control over the relevant Strategic Company are also subject to the reporting obligation; and

- acquisitions, by EU/EEA (including Italian) natural persons or legal entities of control over Strategic Companies in the energy, transport, communication, water, health, financial and agri-food sectors.

The Italian Golden Power Legislation provides for specific sanctions to be applied in case of non-compliance with its provisions, including, among others, administrative pecuniary sanctions up to two times the value of the transaction and in any case not less than 1% of the company turnover (or of the cumulative turnover of the companies involved in the relevant transaction) as resulting from the last financial year for which the financial statements have been approved. Furthermore, failure to comply with the obligations under the Italian Golden Power Legislation or any veto, undertaking, condition and/or other measure imposed by the Italian Golden Power Authority may result in the relevant transaction, act or resolution being unwound or declared null and void.

On October 16 and November 2, 2017, specific provisions regarding corporate governance and organization were imposed on the TIM Group through two Prime Ministerial Decrees. Among these, the establishment of the Security Organization was imposed, which is responsible for activities relevant to national security and involved in all decision-making processes relating to strategic activities and the network. This structure provides that the Security Organization relies on a security officer, who reports to a member of the board of directors with exclusive responsibility for security.

On January 16, 2024, the Italian Golden Power Authority issued a decree with which it imposed undertakings in reference to the Acquisition, as the NetCo Business was considered as a strategic asset for the telecommunications sector and for defense and national security. In this context, the Italian Golden Power Authority has imposed various requirements and conditions including in relation to governance, internal organization (confirming the obligation to establish a Security Organization), planning, compliance, network security, continuity of supplies, the locations where certain activities can be carried out and certain assets can be located, the supply chain, intellectual property and information. Furthermore, NetCo is required to provide every six months to the monitoring committee of the Italian Golden Power Authority a compliance report describing the measures implemented by NetCo in order to comply with these requirements.

In light of the above, in relation to the corporate aspects of NetCo, the Italian Golden Power Authority may veto or impose conditions and/or requirements to consent to the implementation of any transaction, act or resolution falling within the scope of application of the Italian Golden Power legislation. Consequently, following the successful completion of the Transactions, the right of the TIM Group and NetCo to pursue resolutions, deeds or commercial or industrial operations which provide for, among other things, the acquisition or subscription of its shares will remain subject to the Italian Golden Power Authority and the Italian Golden Power Legislation. Therefore, the TIM Group and NetCo may not be authorized to undertake such transactions, acts or resolutions in a timely manner, without restrictions and/or undertakings which may or may not have a material impact. Pursuant to Italian Golden Power legislation, the Push-Down Merger will also be the subject of a new application to the Italian Golden Power Authority.

Within the framework of the provisions on national security, the Italian Golden Power Legislation was accompanied by the legislation concerning the National Cyber Security Perimeter (“**PSNC**”), established with Italian Law No. 133/2019. The PSNC intends to ensure a high level of security of the networks, information systems and IT services of public administrations, public and private bodies and operators having an office in the national territory, on which the exercise of an essential function in Italy depends, or the provision of an essential service for the maintenance of civil, social or economic activities, fundamental to the interests of Italy and whose malfunction, interruption, even partial, or improper use, may result in prejudice to national security.

NetCo is required to comply with the legislation on the PSNC. Failure to comply with obligations may result in administrative fines of up to €1.8 million. Furthermore, the use of products and services in the absence of the required communications to the relevant authorities, or the passing of the tests or in violation of the established conditions may lead to the application of the additional administrative sanction of inability to assume management, administration and control roles in legal entities and businesses, for a period of three years starting from the date of discovery of the violation. Finally, anyone who provides untruthful information, data or factual elements to hinder or influence the completion of procedures or inspection and supervisory activities is punished with imprisonment from one to three years.

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

Many of NetCo 's activities require authorizations from governmental authorities in Italy. These authorizations specify the types of services the operating company holding such authorization may provide. The continued existence and terms of NetCo's authorizations are subject to review by regulatory authorities and to interpretation, modification or termination by these authorities. In addition, its current authorizations to provide networks and services require that NetCo 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 authorization. In addition, the need to meet scheduled deadlines may require it to expend more resources than otherwise budgeted for a particular network build-out. If NetCo fails to renew any of its licenses, permits, or authorizations, NetCo's ability to effectively operate relevant businesses may be materially and adversely affected. The procedure to obtain licenses, permits and authorizations (and renewals thereof) may be complex, lengthy, expensive and may require ongoing compliance with various obligations. Moreover, even if NetCo obtains the renewal of its licenses, permits and authorizations, the costs for obtaining those might be higher than those it expected. Finally, if NetCo fails to comply with the requirements of the applicable legislation and regulatory framework in general, which are very detailed and complex in nature, its authorizations may be suspended or terminated, or significant fines imposed.

NetCo's activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code.

In the ordinary course of business, NetCo processes personal data on customers, business partners, employees, users, third parties and others and therefore it must comply with strict data protection and privacy laws and regulations. Any processing of personal data of individuals located in the EEA in the course of the provision of services is governed by European data protection laws and regulations, which restrict its ability to collect, process and use personal data relating to customers, potential customers, business partners, and employees, including for marketing purposes.

Such laws and regulations concern the collection, use, retention, security, processing and transfer of personal data. In particular, NetCo's operations are subject to the GDPR, and to the Italian Privacy Code. The GDPR increased both the number and the restrictive nature of the obligations binding NetCo, in particular with respect to the collection, processing and use of personal data. Such obligations include, for example, (i) the processing of personal data in accordance with the transparency, data minimization, accuracy, storage limitation, security and confidentiality principles, (ii) the ability to demonstrate compliance with such principles (accountability), (iii) the obligation to identify a legal basis before the processing, (iv) the obligation to ensure the rights of data subjects, such as, among others, the right of access, the right to rectification and the right to erasure (which would require NetCo to permanently delete a user's personally identifiable information in certain circumstances), and (v) more onerous consent requirements, as consent will always have to be express/opt-in, while implied/opt-out consent has at times been deemed sufficient under the former regime. The GDPR obligates companies to implement several formal processes and policies to review and document the privacy implications of the development, acquisition, or use of all new products, technologies, or types of data. The GDPR, *inter alia*, provides for significant applicable maximum fines, up to the higher of (i) €20 million or (ii) 4% of annual global turnover per breach, as opposed to fines of less than €1 million under the former regime. The fine may be imposed instead of, or in addition to, measures that may be ordered by supervisory authorities (such as the request to cease processing). In addition, according to the Italian Privacy Code, certain criminal sanctions could be applied to individuals involved in unlawful processing activities.

The regulatory environment governing NetCo's use of personal data (customers, employees and others) is complex. Privacy, data protection and information security laws and regulations change frequently, and compliance with such

laws and regulations may require NetCo to incur significant costs to make necessary systems changes and implement new administrative processes.

For example, the European Commission has proposed to replace the ePrivacy Directive with a new regulation primarily aimed at aligning certain provisions of the ePrivacy Directive to the GDPR. The ePrivacy Regulation was published by the European Commission on January 10, 2017, and is currently under negotiation in light of the draft proposals issued by the European Parliament and the European Council. The draft ePrivacy Regulation proposes heightened regulatory requirements in connection with unsolicited communications, the use of cookies, security of personally identifiable information, confidentiality of communications, consent, data security and data integrity. In line with the GDPR, breaches of the ePrivacy Regulation may result in maximum fines equal to the greater of €20 million and 4% of the annual global turnover of the sanctioned company.

However, the risk of deficiencies in implementing security measures, in fulfilling legal requirements on data processing, in applying rules on data retention, in notifying data breaches within the narrow mandatory timeframes could lead to disputes with the Italian Data Protection Authority (*Autorità Garante per la Protezione dei Dati Personali*) and to be sanctioned with heavy fines. Any failure, or perceived failure, by NetCo to comply with any applicable data protection laws and regulations could result in proceedings, investigations or actions (including class actions) brought against it by governmental entities, agencies, or private individuals or entities, and in significant fines, penalties, judgments and reputational damages to NetCo's business, requiring it to change business practices and increasing the costs and complexity of compliance, any of which could materially adversely affect its business, financial condition, results of operations and prospects. Moreover, the risk of personal data breaches can lead to disputes with the interested data subjects. Even the perception of privacy and data protection concerns, whether or not valid, may harm NetCo's reputation and inhibit its business with current and future customers, which could have an adverse effect on its business, financial condition and results of operations.

If NetCo is found liable for anti-competitive practices, it may be subjected to substantial liability which could have an adverse effect on its reputation, business, financial condition, results of operations and/or prospects.

NetCo is subject to laws and regulations relating to anti-competitive practices and anti-monopoly. With specific reference to Italian Competition Law, Italian Law No. 287 of October 10, 1990, as amended and supplemented from time to time, on the protection of competition and the market, prohibits, inter alia, activities and behavior that amount to anticompetitive agreements and abuses of a dominant market position.

In the future, relevant competition authorities could find NetCo's business practices to have an anti-competitive effect or could determine that it has violated relevant laws and regulations relating to competition and anti-monopoly. For example, the AGCM could find NetCo's business practices discriminatory, alleging unequal treatment and conditions for accessing its fixed-line network, which could potentially disadvantage end-users by limiting their choices and leading to higher prices. Further, in the context of potential AGCM's investigations, NetCo may propose to undertake certain commitments in order to eliminate any alleged anti-competitive effects. If NetCo is found to have violated any laws and regulations relating to competition and anti-monopoly or to have breached any of the abovementioned commitments, it may be subject to, among other things, substantial liability such as payments of fines which could have a material adverse effect on its reputation, business, financial condition, results of operations and/or prospects.

NetCo's organizational policies and procedures embodied in the organizational model adopted pursuant to Italian Legislative Decree 231/2001 may be insufficient to prevent fraud and may fail to prevent certain officers or employees from engaging in unlawful conduct, for which NetCo could be liable.

Any contact by NetCo's directors, employees, agents or partners with the public administration or procurement officers of private clients (including in the context of participations in auctions, interactions held with the public administration in the process of obtaining or renewing any authorization or license and any possible public contribution) involves risks associated with fraud, bribery, corruption, incorrect use of public contributions and other fraudulent activities by its employees and related investigations.

NetCo is also exposed to the risk that its directors, employees or agents commit IT related crimes, which may consist of using NetCo's infrastructure to violate the IT systems of its clients, unlawful access to banking data (including that of its clients' customers) and damages to the IT systems and documents. In addition, NetCo may be subject to claims

in connection with damage to property, business interruptions, unauthorized use of property, unauthorized entry or breach of security protocols, negligence, wilful misconduct or other tortious acts by its employees or people who have gained unauthorized access to premises operated by NetCo. Such claims may be substantial and may result in adverse publicity for NetCo. NetCo's business activities may also involve risks related to possible accidents, which may be due to its employees' activities or mistakes and may consist in crimes, breaches of security measures, damages to third parties or manslaughter.

Notwithstanding the existence of this model or any updates that NetCo may make to it, there can be no assurances that it will function as designed, or that it will be considered adequate by any relevant legal authority. Further, NetCo may be unable to detect or prevent every instance of unlawful conduct involving its directors, employees, consultants, partners, agents and third-party agents' representatives and intermediaries and/or may fail to adequately update and implement such policies, procedures, systems and controls. NetCo's monitoring systems may not be sufficient to prevent, detect and identify inadequate practices and violation of law by such individuals.

In particular, pursuant to Italian Legislative Decree 231/2001, NetCo may be held responsible for certain crimes committed in Italy or abroad including, among others, bribery, money laundering, corruption (including among private individuals), anti-competitive behavior, fraud against the state, corporate offenses, market abuse, certain tax and customs violations, and certain environmental and workplace safety violations in the NetCo's interest or for the NetCo's benefit, by individuals having a functional relationship with NetCo at the time the relevant crime was committed, including third-party agents, partners or intermediaries, unless NetCo is able to prove that such individuals fraudulently violated the internal control model and it was reasonably not possible for NetCo to avoid such violation. In such circumstances, NetCo may be subject to pecuniary fines, confiscation of profits or disqualifying sanctions (which could be applied also as interim measures during the investigations), including, subject to certain conditions being met, the termination of authorization, permits, licenses, concessions and financing arrangements, including facilitated financing, the suspension of NetCo's operations, or prohibitions on contracting with public authorities. The duration of these disqualifications could range from a minimum of three months to a maximum of two years, although in very serious cases, some of these disqualifications can be applied for a longer duration period. As an alternative to the disqualifying sanctions, the court may appoint a judicial custodian to run the company, with the consequence that the profits gained during the receivership period are automatically confiscated.

Any of the foregoing events may have a material adverse effect on NetCo's business, financial condition and results of operations.

NetCo may be involved in disputes and litigation with regulators, competition authorities, competitors and other parties and may become the subject of a number of investigations by judicial authorities, the ultimate outcome of which is generally uncertain.

NetCo could be subject to numerous risks relating to legal (civil and criminal), tax, competition and regulatory (including health and safety) proceedings which could develop in the future. Such proceedings are inherently unpredictable. Legal, tax, competition and regulatory proceedings in which NetCo may become, involved (or settlements thereof) may, individually or in the aggregate, have a material adverse effect on NetCo's results of operations and/or financial condition and cash flows in any particular period. Furthermore, its involvement in such proceedings may adversely affect its reputation.

If NetCo faces an adverse decision in any of the legal proceedings to which it could be a party and is ordered to pay amounts greater than what it has recognized to cover potential liabilities, NetCo may face adverse effects with respect to it and/or its operations, financial position, income statement and cash flows.

The final outcomes of those proceedings are generally uncertain. In recognizing potential liabilities, NetCo takes into consideration the risks connected with each dispute and the relevant accounting standards, which require reserves to be recognized 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, NetCo 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. If any material disputes are resolved against NetCo, they could, individually or in the aggregate, have a material adverse effect on its results of operations, financial condition and cash flows.

For more details, please see "*Business of NetCo—Legal Proceedings and Disputes*."

NetCo is exposed to the risk of labor disputes.

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

Overall, NetCo has a good relationship with its workers and trade unions. However, following the Transactions, NetCo's employees may be, or become, uncomfortable with the Transactions, which could have an impact on work quality and retention. Article 2112 of the Italian Civil Code provides, among other things, for the automatic transfer of all the employees belonging to the business unit being transferred. Also, the transferring employees are entitled to maintain terms and conditions of employment applied to their employment as of the date of transfer, which cannot be unilaterally changed by the transferee. However, terms and conditions of employment of the transferring employees which are in place on the basis of a national, or company level collective agreement can be replaced (even to the detriment of the latter employees) by those in force at the transferee, but only if and to the extent that the latter are provided for, respectively, by the national or company level collective agreement applied by the transferee. In view of the above, it cannot be excluded the risk that, on one hand, some employees of the TIM Group who are not transferred to NetCo may commence a legal claim to be considered as part of the transferred business, asking to be re-qualified as NetCo's employees and/or, on the other hand, claims from former employees of the TIM Group transferred to NetCo in the context of the Transactions, who may challenge their transfer and seek to be retransferred to the TIM Group. Such risks could be avoided only if, after the NetCo Business is transferred, the relevant employees expressly waive any claims and rights deriving from Article 2112 of the Italian Civil Code. Such waiver is to be encompassed in a compromise agreement which needs to be signed before any unions or the labor office. See "*Business of NetCo—Employees*." There can be no assurance that such employees will waive their rights and claims.

NetCo may be subject to claims and penalties relating to the health and safety of its employees or of third parties.

NetCo's operations are subject to environmental as well as health and safety laws and regulations, including those concerning occupational health. In most cases, NetCo is responsible for the safety of its personnel as well as any external worker operating at its premises and the general health wellbeing of its customers' employees and patrons who may work or do business nearby. If NetCo fails to implement safety procedures or if the procedures NetCo implements are ineffective, its employees and others may become injured. NetCo may incur significant costs, including fines, penalties (including operational bans), civil, criminal (also pursuant to Italian Legislative Decree No. 231/2001) and administrative sanctions as a result of violations of, or liabilities under the applicable health and safety laws and regulations. Unsafe work sites also have the potential to expose NetCo to increase employee turnover, increase the cost of a service to its customers or the operation of a facility, and raise its operating costs. Any of the foregoing may result in financial losses, which may have a material adverse effect on its business, results of operations and financial condition.

Under applicable Italian law, when workers become injured in connection with their duties and as a result are absent from work for more than 40 days, the relevant public prosecutor must open an investigation into workplace safety and, depending on the circumstances, may bring criminal proceedings against NetCo, its local officer entrusted with workplace safety or against its management or chief executive officer.

Workplace accidents or similar occurrences may damage NetCo's reputation and negatively affect its reputation and result in criminal and/or administrative liability, including pursuant to Italian Legislative Decree No. 231/2001. See "*—NetCo's organizational policies and procedures embodied in the organizational model adopted pursuant to Italian Legislative Decree 231/2001 may be insufficient to prevent fraud and may fail to prevent certain officers or employees from engaging in unlawful conduct, for which NetCo could be liable*."

In addition, the EU Corporate Sustainability Reporting Directive requires disclosure of any material actual and potential impacts on value chain workers in relation to working conditions (impacts related to living wage, health and safety, social security, working hours, water and sanitation); access to equal opportunities (impacts related to discrimination, including on the rights of workers with disabilities or on women workers, as well as impacts related to issues of equality in pay and work-life balance); other human rights, (impacts related to trade union rights, freedom

of association and collective bargaining, child labor, forced labor, privacy, adequate housing). Failure to comply may lead to reputational loss, loss of business or limit access to sustainable finance, as well as to the imposition of fines and other regulatory constraints. See also "*—Failure to meet stakeholders' Environmental, Social and Governance ("ESG") expectations, as well as increasing ESG regulatory requirements, may lead to reputational loss, loss of business or limit access to sustainable finance, as well as to the imposition of fines and other regulatory constraints. Operational and financial costs and cost of capital associated with enhancing ESG performance may be significant.*"

Risks Related to NetCo's Financial Information

NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance.

During all historical periods covered by the financial statements included in this Exchange Offer Memorandum, and until the consummation of the Transactions, NetCo has been and will be part of the TIM Group. Accordingly, NetCo has no independent operating history that can be used as a basis for evaluating its financial condition, results of operations and expected future performance following the Transactions.

NetCo Unaudited Combined Pro Forma Carve-out Financial Information has been prepared to present the income statement and statement of financial position as if NetCo had been operating as a stand-alone entity during the periods presented and they are based on certain assumptions of the management of the TIM Group, including the impact of the Master Services Agreement, the Transitional Services Agreement and the repayment of the FiberCop Intercompany Loan with a new loan to be granted to NetCo and assuming the same interest rate as the interest rate of the FiberCop Intercompany Loan will apply to it. See also note (6) in "*Corporate Structure and Certain Financing Arrangements of the Optics Group Pro Forma for the Transactions as of December 31, 2023" and "Risk Factors—Risks Relating to the Optics Notes—Until the Push-Down Merger is consummated (if at all), Optics' ability to repay its debt will be dependent on its ability to obtain cash from its subsidiaries*". If NetCo had been operating as standalone company or group during all historical periods covered by the financial statements included in this Exchange Offer Memorandum, the income statement and statement of financial position may have been different from those presented herein, as they would depend on many factors, including organizational structure, financing structure and strategic decisions made in various areas.

NetCo Unaudited Combined Pro Forma Carve-out Financial Information included in this Exchange Offer Memorandum was prepared solely for illustrative purposes and does not reflect any adjustment relating to the purchase price allocation as the exercise to determine the fair value of the net assets acquired will be carried out only after Acquisition Closing Date. NetCo Unaudited Combined Pro Forma Carve-out Financial Information included in this Exchange Offer Memorandum is based on assumptions and its usefulness is, therefore, inherently limited. Such *pro forma* financial information is prepared by applying certain *pro forma* adjustments to the NetCo Audited Combined Carve-out Financial Information, thereby giving effect to the Transactions. In preparing the NetCo Unaudited Combined Pro Forma Carve-out Financial Information included in this Exchange Offer Memorandum, the TIM Group made certain adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information based on currently available information and on assumptions that the TIM Group's management believes are reasonable. In addition, this Exchange Offer Memorandum includes certain *pro forma* financial information of Optics. In preparing the *pro forma* financial information of Optics included in this Exchange Offer Memorandum, Optics made certain adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information to give effect to the Transactions which are based on certain assumptions, including the other debt of Optics that will be outstanding as of the Acquisition Closing Date. See "*—Risks related to NetCo's Business and Industry—Certain information relating to NetCo and the impacts of the Transactions on Optics have been provided by Optics and have not been independently verified by the TIM Group."*

The estimates and assumptions used in the calculation of such *pro forma* financial information may be materially different from the actual results. For example, under the Transaction Agreement, TIM and KKR have agreed to negotiate in good faith the allocation of certain payments due from NetCo to TIM. Given the ongoing discussions between TIM and KKR, the NetCo Audited Combined Carve-out Financial Information, NetCo Audited Consolidated Pro Forma Carve-Out Financial Information, and TIM Audited Consolidated Pro Forma Carve-Out Financial

Information have been prepared based on certain assumptions regarding the allocation of such payment, which may not accurately reflect the actual allocation that will be agreed before the Acquisition Closing Date. See "*NetCo Unaudited Combined Pro Forma Carve-out Financial Information.*" In addition, the NetCo Audited Combined Carve-out Financial Information and the NetCo Unaudited Combined Pro Forma Carve-out Financial Information do not include any potential non-financial liabilities and off balance-sheet guarantees associated with the NRRP tenders. Such non-financial liabilities and the related off balance-sheet guarantees could arise if the NRRP advance payments received by TIM at the end of 2023 are subsequently allocated to NetCo (from TIM or Infratel), which would then need to correspondingly reserve a liability in respect of such non-financial liabilities.

Furthermore, the *pro forma* financial information of NetCo included in this Exchange Offer Memorandum does not give effect to any other events than those described in such *pro forma* financial information, and the notes thereto, nor does it reflect forward-looking data, as it was prepared to represent only the isolatable and objectively measurable effects of the Transactions, without taking account of the potential effects of changes in management policy and operating decisions resulting from the Transactions. Considering that the purposes of the *pro forma* financial information included in this Exchange Offer Memorandum are different than those of the historical financial statements, the two sets of data should be read and interpreted separately, without trying to connect them from an accounting perspective.

The NetCo Audited Combined Carve-out Financial Information and the NetCo Unaudited Combined Pro Forma Carve-out Financial Information are provided as of and for the year ended December 31, 2023. After the date of this Exchange Offer Memorandum and prior to the Longstop Date, investors will not receive financial statements or other periodic financial information specifically related to NetCo. Investors should be aware that they will be making their investment decision based on historical information, without the benefit of updated financial data for NetCo.

For more information, see "*Summary Financial and Other Carve-Out Information of NetCo and Optics*," "*Management's Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo*" and "*—NetCo's Pro Forma Organic EBITDA figures presented in this Exchange Offer Memorandum are derived from estimates and assumptions regarding specific initiatives and the impact of certain events. These estimates and assumptions could be materially inaccurate due to factors beyond NetCo's control, as well as a range of known and unknown risks, uncertainties and other variables*."

NetCo's Pro Forma Organic EBITDA-AL and other non-IFRS measures presented in this Exchange Offer Memorandum are based upon estimates and assumptions regarding specific initiatives and the impact of certain events. Such estimates and assumptions might prove to be materially incorrect as a result of factors beyond NetCo's control and are subject to known and unknown risks, uncertainties and other factors.

In this Exchange Offer Memorandum, certain *pro forma* adjusted financial data which are based on various assumptions, including, *inter alia*, including the impact of the Master Services Agreement, the Transitional Services Agreement and the repayment of the FiberCop Intercompany Loan with a new loan to be granted to NetCo and assuming the same interest rate as the interest rate of the FiberCop Intercompany Loan will apply to it. See "*Summary Financial and Other Pro Forma Carve-Out Information of NetCo and Optics*" for additional details regarding these *pro forma* adjusted financial data and their underlying assumptions. These assumptions are based on TIM management's estimates, and they involve risks, uncertainties, further assumptions and other factors that may cause actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by such *pro forma* adjusted financial data.

In particular, NetCo's *Pro Forma* Organic EBITDA-AL presented in this Exchange Offer Memorandum has not been subject to audit or review by auditors, consultants or experts and the estimates, adjustments and assumptions that have been used to calculate such Non-IFRS Measure may prove to be inaccurate or may be affected by other factors that have not been accounted for. NetCo's *Pro Forma* Organic EBITDA is based on a number of assumptions and estimates. These assumptions and estimates are forward-looking by nature and are inherently uncertain and are subject to significant business, economic and competition factors which are difficult to predict and some of which are beyond NetCo's control.

Although estimates and assumptions applied in calculating NetCo's *Pro Forma* Organic EBITDA-AL have been reasonable at the time they were made, there can be no assurance that such assumptions will prove accurate.

Furthermore, the positive effects of these initiatives could be negated by market downturns, rising expenses, or other unforeseen or unknown factors within NetCo's business. In addition, the costs and other benefits described herein may be substantially different than TIM' estimates, which in turn could outweigh any benefit. Furthermore, NetCo's *Pro Forma* Organic EBITDA-AL includes certain estimated normalization items that reflect costs not included in the NetCo Audited Combined Carve-Out Financial Information or the NetCo Unaudited Combined Pro Forma Carve-Out Financial Information. TIM's management estimates that these costs will be incurred by NetCo as a standalone entity following the completion of the Acquisition. These normalization items are not intended to represent the full range of additional costs or potential dis-synergies that NetCo, as a standalone entity, may face as part of its ongoing cost structure.

In addition, NetCo's pro forma Operating Free Cash Flow is are based on NetCo's pro forma statement of financial position as of December 31, 2023, which is included elsewhere in this Exchange Offer Memorandum, and on NetCo's statement of financial position as of December 31, 2022, derived from certain unaudited management accounts that are not included in this Exchange Offer Memorandum. Such management accounts have not been audited or reviewed, nor have any procedures been performed by TIM's independent auditors with respect thereto.

NetCo's *Pro Forma* Organic EBITDA-AL and the underlying calculations have not been prepared with a view to compliance with the published guidelines of the SEC or the guidelines published by any other regulatory or industry body regarding estimates, and therefore have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. NetCo's *Pro Forma* Organic EBITDA-AL is included in this Exchange Offer Memorandum as it provides a useful indication of what its results would have been had certain events happened within a certain timeframe or had certain extraordinary events not occurred or occurred differently; however, this information does not constitute a measure of financial performance under IFRS or other generally accepted accounting principles, and prospective investors of the Optics Notes should not consider any of this information as an alternative to operating profit or any other performance measure derived in accordance with IFRS or as a measure of NetCo's results of operations or liquidity. If any of the underlying assumptions or estimates prove to be incorrect, Optics may not generate sufficient cash flow to redeem the principal of and pay interest on the Optics Notes when they become due.

There is no assurance that NetCo's future controlling shareholder's strategy and estimates will be consistent with TIM's management's.

Upon the successful completion of the Transactions, KKR will transition from holding a 37.5% stake in FiberCop to becoming the controlling shareholder of NetCo. Please see "*—Following the successful completion of the Transactions, the interest of NetCo's controlling shareholder and/or minority shareholders may conflict with the interests of NetCo and the holders of the Optics Notes*" and "*Summary—The Transactions*." With such control, KKR will have the authority to appoint certain number of members to the board of directors and statutory auditors, thereby influencing the direction of NetCo's business and strategic planning.

The financial information regarding NetCo included in this Exchange Offer Memorandum has been prepared by TIM's management. See "*—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance*" and "*—NetCo's Pro Forma Organic EBITDA-AL and other non-IFRS measures presented in this Exchange Offer Memorandum are based upon estimates and assumptions regarding specific initiatives and the impact of certain events. Such estimates and assumptions might prove to be materially incorrect as a result of factors beyond NetCo's control and are subject to known and unknown risks, uncertainties and other factors*." As such, the perspectives and insights provided reflect TIM's management's understanding and expectations of NetCo's operations, regulatory framework and future potential. However, under KKR's direction and control, there may be shifts in strategic focus, operational priorities and financial projections that could materially differ from those included herein. KKR's vision for NetCo's business plan, strategic initiatives and day-to-day management may introduce new estimates and models that could materially diverge from the data and analysis presented in this Exchange Offer Memorandum. Prospective investors of the Optics Notes should carefully consider that these potential and material differences could impact NetCo's business, results of operations, financial condition and future performance, as KKR could implement its own strategies and operational methodologies in a way that materially differs from the TIM's management's view.

Risks Relating to the Transactions

Termination of the Transaction Agreement or failure to otherwise complete the Acquisition could negatively impact the TIM Group's business and financial results.

Termination of the Transaction Agreement or any failure to otherwise complete the Acquisition may result in various consequences, including:

- the TIM Group not being able to realize the anticipated benefits of the Acquisition. Such anticipated benefits include, among others, the expected reduction in the net leverage of the TIM Group and an easing of the TIM Group's current regulatory obligations. For more information, see "*—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective"* and "*Summary—The TIM Group's Strategy—Delayering Plan.*"

- the TIM Group's business being adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Acquisition, without realizing any of the anticipated benefits of completing the Acquisition; and

- negative reactions from the financial markets, respective customers and other stakeholders possibly related to the above.

The Acquisition is subject to certain uncertainties and conditions and, as a result, the Acquisition may not be consummated and this may adversely impact the trading in the New Notes and the rating of the Original Notes and New Notes.

Pursuant to the Transaction Agreement, the completion of the Acquisition is subject to certain closing conditions, including, for example, the satisfaction of antitrust and other regulatory approvals. As of the date of this Exchange Offer Memorandum, TIM has not yet obtained (i) the authorization by the European Commission, under the powers conferred to it by Antitrust Law, approving the Acquisition or confirming that the Acquisition does not require approval. and (ii) the authorization from the European Commission, under the powers conferred to it by FSR Law, approving the Acquisition or confirming that the Acquisition does not require approval. If such conditions are not fulfilled by the Longstop Date or, if for any other reason, the Acquisition is not consummated on or prior to the Longstop Date, the Transaction Agreement may be terminated and the Acquisition may not be completed. While the Exchange Offers are not conditioned upon the Acquisition completing, the Acquisition Exchange is triggered on the basis of whether the Acquisition is consummated or not.

If the Acquisition is not completed on or prior to the Longstop Date, then each series of USD New Notes and EUR New Notes will not be mandatorily exchanged for the notes of the relevant series of USD Optics Notes and EUR Optics Notes pursuant to the Acquisition Exchange and will remain outstanding as a separate series not fungible with the relevant series of USD Original Notes and EUR Original Notes, as applicable. See "*Terms of the EUR TIF Exchange Offer — EUR TIF Mandatory Acquisition Exchange*."

The terms and conditions of each series of the EUR New Notes and USD New Notes will be substantially similar to those of the relevant series of EUR Original Notes and USD Original Notes, subject to certain exceptions, including, but not limited to, the Acquisition Exchange and, in respect of the USD New Notes, qualification of the relevant indentures under the U.S. Trust Indenture Act of 1939, where applicable. Each series of EUR New Notes and USD New Notes will not be fungible with the relevant series of EUR Original Notes and USD Original Notes, which may affect the trading market value of the relevant series of EUR New Notes and USD New Notes.

In addition, there can be no assurance that, if the Acquisition is not consummated, one or more rating agencies will not change or comment on the ratings of the Original Notes and New Notes. Any changes in ratings could adversely affect the market price of the Original Notes and the New Notes. Moreover, the failure to consummate the Acquisition

may also impact the trading of the Original Notes and the New Notes, given that investors participating in the Exchange Offers may have priced in the expectation to become investors in the debt of a stand-alone NetCo business.

The decision of a noteholder to invest in the relevant series of New Notes and, upon completion of the Acquisition, the Optics Notes is made at the time of tendering into the Exchange Offers, and no changes in the terms of the Acquisition or results of operations of the TIM Group or Optics/NetCo shall give rise to any rights to refuse to accept the Optics Notes in connection with the Acquisition Exchange.

The decision of a noteholder to invest in the relevant series of the New Notes and, upon completion of the Acquisition, the Optics Notes, is made at the time of tendering into the Exchange Offers. Changes in the TIM Group's and NetCo's, results of operations or financial condition, or the terms of the Acquisition or the financing thereof between the decision to irrevocably tender into the Initial Exchange and the completion of the Acquisition and the consequential Acquisition Exchange will not give rise to any rights to refuse to accept the Optics Notes in connection with the Acquisition Exchange.

The Acquisition is subject to the compliance of certain undertakings and obligations, and, as a result, NetCo Business pre-consummation of Acquisition or the Acquisition Closing Date may be impacted by such undertakings.

Under the Transaction Agreement, TIM has agreed to certain undertakings that place restrictions on TIM Group's ability to operate the NetCo Business (*e.g.*, limitations to dispose of certain rights, benefits or assets,) until the consummation of the Acquisition. Furthermore, TIM is subject to certain other interim obligations with reference to the NetCo Business which, if materially breached, will entitle Optics to delay the Acquisition Closing Date until the Longstop Date. As a result, whether or not the Acquisition is completed, the announcement, pendency and delays of the consummation of the Acquisition may cause disruptions to NetCo's business, which could have an adverse effect on its business, financial condition and results of operations.

If the Acquisition is not consummated, the substantial leverage and debt service obligations of the TIM Group could adversely affect its business and may jeopardize the fulfillment of its obligations, including its payment obligations under the Original Notes (not offered for exchange or accepted in the Exchange Offers) and the New Notes.

Prior to the consummation of the Acquisition, and in the event the Acquisition is not consummated, the TIM Group will have a significant amount of outstanding debt with substantial debt service requirements. As of December 31, 2023, the TIM Group had €32,636 million of consolidated gross financial debt (including lease liabilities of €5,581 million). The Revolving Credit Facility (as defined in the "*Description of other Indebtedness of the TIM Group*") provides for borrowings up to an aggregate principal amount of €4,000 million, subject to certain conditions. The Revolving Credit Facility was undrawn as of December 31, 2023. The TIM Group's Net Financial Debt Carrying Amount was €25,776 million as of December 31, 2023, compared to €25,370 million as of December 31, 2022. See "*Summary Historical Consolidated Financial and Other Information and Pro Forma Carve Out Information of the TIM Group."* The TIM Group expects that, should the Acquisition not be completed, its high leverage will persist for the foreseeable future. In addition, if the Acquisition is not consummated and, as a result, the contribution to FiberCop of the NetCo Business is not completed, the management and development of the TIM Group's operative business will require significant investments. The TIM Group may, therefore, need to incur additional debt.

Its significant leverage could have important consequences for the TIM Group's business and operations and for holders of the Original Notes (not offered for exchange or accepted in the Exchange Offers) and the New Notes, including, but not limited to:

- making it more difficult for the TIM Group to satisfy its obligations with respect to the Original Notes (not offered for exchange or accepted in the Exchange Offers) and the New Notes and its subsidiaries' other debts and liabilities, including in respect of bonds and credit facilities maturing prior to the maturity date of the Original Notes (not offered for exchange or accepted in the Exchange Offers) and the New 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;
- 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; and
- negatively impacting the financial measures used by rating agencies, such as Moody's, S&P and Fitch, to assess the TIM Group's 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 the TIM Group's ability to refinance existing debt and could increase costs related to refinancing existing debt and managing its derivatives portfolio.

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 Original Notes (not offered for exchange or accepted in the Exchange Offers) and the New Notes.

For further information regarding the TIM Group's substantial leverage and for more information about its indebtedness that will remain outstanding if the Transactions are not consummated and following the consummation of the Transactions, see "*Capitalization of the TIM Group*" and "*Description of Certain Other Financing Arrangements of the TIM Group*."

Certain indebtedness of the TIM Group matures prior to the stated maturity of the Original Notes and New Notes. If the Acquisition is not consummated, it may become more challenging for the TIM Group to raise the necessary funds to repay the Original Notes (not offered for exchange or accepted in the Exchange Offers) and the New Notes.

The maturity of the Original Notes and New Notes will occur subsequent to 2025. However, some of the TIM Group's indebtedness is due earlier, including the €1.5 billion drawn under the TIM Term Facility Agreement on April 10, 2024. As of December 31, 2023 amounts drawn under (excluding the TIM Term Facility Agreement, which was entered into on April 4, 2024) upcoming medium-long term maturities of financial liabilities of the TIM Group (after lease) amounted to €3,849 million in 2024 and €3,300 million in 2025. As a result, if the Acquisition is not consummated, the TIM Group may not have sufficient cash to repay all amounts owing on the Original Notes and the New Notes at maturity, since, *per se*, the prior maturity of such other indebtedness may make it difficult to refinance the Original Notes (not offered for exchange or accepted in the Exchange Offers) and the New Notes. In addition, if TIM Group'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 timely completion of the Transactions and, upon the successful completion of the Transactions, NetCo's business, financial condition and results of operations may be adversely affected if NetCo and the TIM Group are unable to obtain required third-party consents from, or approval of, third parties, including companies controlled by governmental entities, for certain contracts and/or other assets.

The Transaction Agreement provides that certain contracts and other assets, rights and liabilities are to be transferred from the TIM Group to NetCo in connection with the Acquisition. The transfer of certain of these contracts and other assets, rights and liabilities may require consents or approvals of third parties or provide other rights to third parties. Some parties may use consent requirements or other rights to terminate contracts or obtain more favorable contractual terms from NetCo, which, for example, could take the form of price increases for services or assets that NetCo requires, forcing NetCo to either expend additional resources in order to obtain the services or assets previously provided under the contracts or to make arrangements with new third parties. If NetCo does not obtain required consents or approvals, it may be unable to obtain all benefits, assets and contractual commitments that are intended to be allocated to it under the Transaction Agreement. Although contractual remedies vis-à-vis the TIM Group may be available under the Transaction Agreement, NetCo could still be required to seek alternative arrangements to obtain services and assets which may not come on a timely basis, be more costly and/or of lower quality.

The termination, modification, replacement or replication of these contracts or permits or the failure to timely complete the transfer or assignment of these contracts could have a material adverse effect on NetCo's business, financial condition, results of operations and cash flows.

Each of the TIM Group and NetCo may experience disruptions as a result of the Acquisition that make it difficult for them to retain executives and other employees.

Uncertainty about the consummation and effect of the Acquisition on each of the TIM Group's and NetCo's business and operations may impair their ability to attract, retain and motivate personnel until the Transactions are completed. Employee retention may be particularly challenging during the pendency of the Transactions, as employees may feel uncertain about their future roles within the company. If the TIM Group's and/ or NetCo's employees depart because of issues relating to the uncertainty relating to the Transactions or a desire not to continue to be TIM Group or NetCo's employees following completion of the Transactions, this could have a material adverse effect on the TIM Group's and NetCo's business and results of operations.

For further information as to the risks relating to the TIM Group's business after the Transactions complete, please see "—*Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry*" and "—*Risks Related to NetCo—Risks Related to NetCo's Business Activity and Industry*."

TIM will incur certain transaction-related costs in connection with the Transactions.

TIM expects to incur certain non-recurring transaction-related costs associated with the Transactions. These costs include, for example, fees paid to legal, financial and accounting advisors, filing fees, printing costs and potential tax costs related to the Transactions. Many of these costs will be incurred whether or not the Acquisition is consummated. Additional unanticipated costs may also be incurred in connection with or as a result of the consummation of the Transactions.

Risks Relating to the EUR Exchange Offers

Holders are responsible for complying with the procedures of the EUR Exchange Offers.

Holders of EUR Original Notes are responsible for complying with all of the procedures for exchanging EUR Original Notes pursuant to the terms of the EUR Exchange Offers. None of TIM, TIF, Optics, the Dealer Managers or the Exchange and Information Agent assumes any responsibility for informing holders of EUR Original Notes of irregularities with respect to offers to exchange from the holders of EUR Original Notes.

The consummation of the EUR Exchange Offers for any series of EUR Original Notes is subject to certain conditions, including the EUR Minimum Series Exchange Condition, and may not occur. Failure to complete any of the EUR Exchange Offers could negatively affect the price of the EUR Original Notes subject to the EUR Exchange Offers.

The EUR Exchange Offers are subject to the General Conditions, including among others that the EUR Minimum Series Exchange Condition is satisfied. The EUR Exchange Offers may be terminated if, among other things, such conditions are not satisfied or (to the extent permitted under the terms of the EUR Exchange Offers) waived. See

"*Conditions of the EUR TIF Exchange Offer.*" and "*Termination, Withdrawal and Amendment of the EUR TIF Exchange Offer*" If any of the EUR Exchange Offers is not completed with respect to any series of EUR Original Notes, the market price of such series of EUR Original Notes may decline to the extent that the current market price of the EUR Original Notes reflects a market assumption that any of the EUR Exchange Offers has been or will be completed.

In addition, the Issuer is not under any obligation to accept, and shall have no liability to any person for any non-acceptance of, any offer of EUR Original Notes for exchange pursuant to the EUR Exchange Offers. EUR Original Notes validly offered for exchange (and not validly withdrawn) may be rejected in the Issuer's sole discretion for any reason and the Issuer is not under any obligation to Eligible Holders to furnish any reason or justification for refusing to accept validly offered for exchange (and not validly withdrawn) EUR Original Notes for exchange. For example, validly offered for exchange (and not validly withdrawn) EUR Original Notes may be rejected if the EUR Exchange Offers are terminated, if the EUR Exchange Offers do not comply with the relevant requirements of a particular jurisdiction, if the principal amount of the EUR TIF Original Notes offered for exchange is not at least equal to the Minimum Exchange Amount or for any other reason.

The EUR Exchange Offers may be delayed for any reason, including because of a delay in the consummation of the Acquisition, and the EUR Acquisition Exchange will not be consummated if the Acquisition is not completed on or prior to the Longstop Date and this may result in reduced liquidity for the EUR New Notes.

The TIM Group is not obligated to complete any of the EUR Exchange Offers and may terminate one or all of the EUR Exchange Offers. The consummation of each EUR Exchange Offer is subject to, and conditional upon, the satisfaction or waiver of certain conditions as set forth under "*Terms of the EUR TIF Exchange Offer—Conditions to the EUR TIF Exchange Offer*." Even if the EUR Exchange Offers are completed, they may not be completed on the schedule described in this Exchange Offer Memorandum, in particular as such schedule may depend on the timing of the consummation of the Acquisition. Moreover, the Longstop Date may be further extended or the consummation of the Acquisition may be delayed and Eligible Holders participating in the EUR Exchange Offers may have to wait longer than expected to receive the EUR Optics Notes. Moreover, as the EUR TIF Mandatory Acquisition Exchange will happen on the date the Acquisition is consummated, should the Acquisition Closing Date be postponed even after the relevant notice has been given to Noteholders in accordance with the Conditions of the EUR TIF New Notes, the EUR TIF Mandatory Acquisition Exchange will be postponed accordingly and the Noteholders will not receive the relevant Optics Notes and relevant Accrued Interest Amount with respect to the EUR TIF New Notes until the effective Acquisition Closing Date. Additionally, if the Acquisition is not or will not be consummated on or prior to the Longstop Date, or if there are delays in the consummation of the Acquisition, the EUR New Notes will remain outstanding as a separate series not fungible with the EUR Original Notes not validly offered or otherwise accepted as part of the EUR Exchange Offers. As a result, the trading market for each series of the EUR New Notes that remain outstanding if the Acquisition is not or will not be consummated prior to the Longstop Date may be significantly more limited than the currently outstanding EUR Original Notes because such EUR New Notes would not be fungible with the EUR Original Notes. Such remaining EUR New Notes may command lower prices than comparable issues of securities with greater market liquidity, including the currently outstanding EUR Original Notes. Therefore, the market prices for any series of EUR New Notes that remain outstanding if the Acquisition is not or will not be consummated on or prior to the Longstop Date may be adversely affected as a result thereof.

Holders' ability to transfer the EUR New Notes may be limited by the absence of an active trading market and an active trading market may not develop for the EUR New Notes.

The EUR New Notes will be new issues of securities for which there is no established trading market. There can be no assurance that any active trading market for the EUR New Notes will develop or be maintained.

Therefore, an active market for the EUR New Notes may not develop or be maintained, which would adversely affect the market price and liquidity of the EUR New Notes. In that case, the holders of the EUR New Notes may not be able to sell their notes at a particular time or at a favorable price. If a trading market were to develop, future trading prices of the EUR New Notes may be volatile and will depend on many factors, including:

- the number of holders of the EUR New Notes;

- prevailing interest rates;
- NetCo's operating performance and financial condition;
- the interest of securities dealers in making a market for them;
- the market for similar securities;
- market perceptions of the Transactions and its likelihood; and
- the market for the EUR Optics Notes.

Even if an active trading market for the EUR New Notes does develop, there is no guarantee that it will continue. The market, if any, for the EUR New Notes may experience disruptions and any such disruptions may adversely affect the liquidity in that market or the prices at which Holders may sell their EUR New Notes. In addition, subsequent to their initial issuance, the EUR New Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, underlying business performance and other factors.

The EUR Exchange Offers may be extended, amended, terminated or withdrawn.

Subject as provided herein, the Issuer may, subject to applicable law, extend, amend, terminate or withdraw, in its sole discretion, any of the EUR Exchange Offers at any time and for any reason before any EUR Original Notes are accepted for exchange, including failure to satisfy any condition to the EUR Exchange Offers. For details, see "*Termination, Withdrawal and Amendment of the EUR TIF Exchange Offer*."

None of the Issuer's board of directors, the Dealer Managers or the Exchange and Information Agent has made a recommendation as to whether holders should offer for exchange their EUR Original Notes in exchange for EUR New Notes in the EUR Exchange Offers, and the Issuer has not obtained a third-party determination that the EUR Exchange Offers are fair to holders of the Issuer's EUR Original Notes.

None of the Issuer's board of directors, the Dealer Managers or the Exchange and Information Agent has made, and none of them will make, any recommendation as to whether holders of the EUR Original Notes should offer their EUR Original Notes in exchange for EUR New Notes pursuant to the EUR Exchange Offers. The Issuer has not retained, and does not intend to retain, any unaffiliated representative to act solely on behalf of the holders of the EUR Original Notes for purposes of negotiating the terms of the EUR Exchange Offers, or preparing a report or making any recommendation concerning the fairness of the EUR Exchange Offers. Therefore, if holders offer for exchange their EUR Original Notes, they may not receive more than or as much value as if they chose to keep them. Holders of EUR Original Notes must make their own independent decisions regarding their participation in the EUR Exchange Offers.

The EUR Original Notes offered for exchange in the EUR Exchange Offers will be blocked pending termination or settlement of the EUR Exchange Offers.

When considering whether to offer for exchange the EUR Original Notes in the EUR Exchange Offers, holders of the EUR Original Notes should take into account that restrictions on the transfer of the EUR Original Notes will apply from the time of such offer. A holder of the EUR Original Notes will, on offering the EUR Original Notes in the EUR Exchange Offers, agree that the relevant EUR Original Notes will be blocked in the relevant account at the relevant clearing system from the date the relevant offer for exchange of the EUR Original Notes is made until the earliest of (i) the date on which the EUR Exchange Offers are terminated in accordance with the terms of the EUR Exchange Offers, (ii) the time of settlement of the EUR TIF Initial Exchange on the EUR Settlement Date and (iii) the date on which the relevant offer for exchange of the EUR Original Notes has been validly revoked in the limited circumstances in which such revocation is permitted (see "*Terms of the EUR TIF Exchange Offer – Holders' Rights of Revocation*").

Holders must comply with certain offer restrictions.

Holders of EUR Original Notes are referred to the "*Conditions of the EUR TIF Exchange Offer*," "*Terms of the EUR TIF Exchange Offer*", "*Notice to Investors*" and "*Offer Restrictions*". Non-compliance with these restrictions by a holder of EUR Original Notes could result in, among other things, an inability to validly offer for exchange EUR Original Notes, the unwinding of trades and/or other penalties.

There may be significant tax consequences to holders arising from the EUR Exchange Offers.

Eligible Holders should be aware that each of the exchange of EUR Original Notes in the EUR Exchange Offers for EUR New Notes and the exchange of EUR New Notes in the EUR Acquisition Exchange for the EUR Optics Notes, may be subject to certain tax considerations depending on tax laws applicable to them. Both exchanges in the EUR Initial Exchange and the EUR Acquisition Exchange may qualify as an income taxable event from an Italian tax perspective in the hands of the holders of the EUR Original Notes.

Eligible Holders of EUR Original Notes should consult their own tax, accounting, financial and legal advisers regarding the suitability to themselves of the tax or accounting consequences of participating or declining to participate in the EUR Exchange Offers and an investment in the EUR New Notes (including the EUR Acquisition Exchange into the EUR Optics Notes contained therein). See "*Certain Tax Considerations.*". Eligible Holders should be aware that EUR Optics Notes will be subject to Italian tax laws and regulations and, in particular, to the rules and procedures set forth by Decree No. 239. See "*No assurance can be given that the procedural requirements provided by Decree No. 239 will be met*".

Late deliveries of EUR Original Notes or any other failure to comply with the terms and conditions of the EUR Exchange Offers could prevent a holder from exchanging its EUR Original Notes.

Holders of EUR Original Notes are responsible for complying with all the procedures of the EUR Exchange Offers. The issuance of EUR New Notes or EUR Optics Notes in exchange for EUR Original Notes and EUR New Notes, respectively, will only occur upon proper completion of the procedures described in this Exchange Offer Memorandum under "*Terms of the EUR TIF Exchange Offer*." Therefore, holders of EUR Original Notes who wish to offer for exchange them for EUR New Notes or EUR Optics Notes should allow sufficient time for timely completion of the exchange procedure. None of the Exchange and Information Agent, the Dealer Managers or the Issuer are under any duty to give notification of defects or irregularities with respect to the offers of EUR Original Notes for exchange or to extend any of the applicable deadlines. If you are the beneficial owner of EUR Original Notes that are held through the Clearing System in the name of your broker, dealer, commercial bank, trust company or other nominee or custodian, and you wish to offer for exchange in the EUR Exchange Offers, you should promptly contact the person in whose name your EUR Original Notes are held and instruct that person to offer for exchange your EUR Original Notes on your behalf. Beneficial owners should be aware that their broker, dealer, commercial bank, trust company or other nominee or custodian may establish their own earlier deadlines for participation in the EUR Exchange Offers. Accordingly, beneficial owners wishing to participate in the EUR Exchange Offers should contact their broker, dealer, commercial bank, trust company or other nominee or custodian as soon as possible in order to determine the times by which such owner must take action in order to participate in the EUR Exchange Offers.

The Issuer may repurchase any EUR Original Notes that are not offered for exchange in the EUR Exchange Offer on terms that are more favorable to Eligible Holders than the terms of the EUR Exchange Offers.

The Issuer intends to continue to explore options to address its debt maturity profile in the near-term and may, to the extent permitted by applicable law, purchase or redeem the EUR Original Notes from time to time in the open market, in privately negotiated transactions, through subsequent tender or exchange offers, through the exercise of its optional redemption rights under the Conditions of the EUR Original Notes, where applicable, or otherwise. These other purchases or redemptions may be made on the same terms or on terms that are more or less favorable to Eligible Holders than the terms of the EUR Exchange Offers. The Issuer also reserves the right to repurchase or redeem any of the EUR Original Notes not offered for exchange in the EUR Exchange Offers. If the Issuer decides to repurchase or redeem the EUR Original Notes on terms that are more favorable than the terms of the EUR Exchange Offers, those holders who decide not to participate in the EUR Exchange Offers could ultimately receive consideration in cash or

other form that may represent greater value for their EUR Original Notes than the value received by Eligible Holders that participate in the EUR Exchange Offers.

There are differences among the terms of the EUR Original Notes, EUR New Notes and EUR Optics Notes.

Certain conditions of each series of EUR Optics Notes will be different from those of the relevant series of EUR Original Notes and EUR New Notes (which are substantially similar to the applicable terms of the relevant series of EUR Original Notes, subject to certain exceptions including, but not limited to, the mandatory EUR Acquisition Exchange). Holders should carefully consider the differences between the EUR New Notes, EUR Optics Notes and the related EUR Original Notes (which include, *inter alia*, the identity of the issuer, the provision of security and changes to certain terms and covenants relating to the EUR Optics Notes) in deciding whether to deliver EUR Original Notes for exchange in connection with the EUR Exchange Offers. See "*Terms and Conditions of the EUR TIF New Notes*" and "*Terms and Conditions of the EUR Optics (TIF) Notes.*"

Offers for each series of EUR Original Notes may be reduced on a pro-rata basis.

The Final Series Acceptance Amount for each series of EUR Original Notes will be determined at the sole and absolute discretion of the Issuer as soon as reasonably practicable following the EUR Expiration Time. Therefore the Issuer, in its sole discretion, may accept considerably less (or none) of one Series of EUR Original Notes than another.

In the event that valid offers are received in respect of an aggregate principal amount of each series of EUR Original Notes greater than the relevant Final Series Acceptance Amount, a *pro rata* reduction will be applied in order to ensure that the aggregate principal amount of each series of EUR Original Notes accepted for exchange by the Issuer pursuant to the terms of the EUR Exchange Offers does not exceed the relevant Final Series Acceptance Amount.

Minimum denomination of the EUR New Notes and EUR Optics Notes.

Each series of the EUR New Notes (and EUR Optics Notes, if any) will be issued in minimum denominations of €100,000. The Issuer will not accept for exchange any offer that would result in the issuance of less than €100,000 in principal amount of EUR New Notes to a Participating Holder. As a result, a holder will be unable to participate in the EUR Exchange Offers if such holder's ownership of EUR Original Notes is not at a sufficient level to meet these minimum requirements.

The Issuer is under no obligation to accept offers to exchange. Offers to exchange may be rejected in the sole discretion of the Issuer for any reason and the Issuer is under no obligation to Eligible Holders to furnish any reason or justification for refusing to accept an offer for exchange. For example, EUR Original Notes offered for exchange may be rejected if the EUR Exchange Offers are terminated, if the EUR Exchange Offers do not comply with the relevant requirements of a particular jurisdiction, if the Minimum Exchange Amount condition with respect to any Series of EUR Original Notes is not satisfied, or for other reasons.

Irrevocability of Instructions.

Under the EUR TIF Exchange Offer, Instructions (as defined herein) will be irrevocable except in the limited circumstances described in "*Holders' Rights of Revocation*" above.

For the avoidance of doubt, TIF may elect, in its sole discretion, to decrease, increase or waive the EUR Minimum Series Exchange Condition with respect to EUR TIF Original Notes and Holders of the EUR TIF Original Notes will not be entitled to any revocation rights as a result of such increase, decrease or waiver.

Noteholders must satisfy themselves as to their status as an Eligible Holder or otherwise.

The form of Instruction requires the relevant holder of EUR Original Notes to represent and warrant that it is an Eligible Holder. Failure to do so will result in the Issuer treating the relevant holder as being an Ineligible Holder unless the Issuer in its sole discretion determines otherwise. As it may be unlawful in certain jurisdictions to deliver (or be deemed to have delivered) EUR New Notes to holders who are residents, citizens, nationals of or have otherwise some form of connection with certain jurisdictions are required to inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person to satisfy itself as to the full observance of the laws of

the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with any other necessary formalities.

Instructions submitted by Sanctions Restricted Persons will not be accepted.

A holder or beneficial owner of the EUR Original Notes who is, or who is believed to be a Sanctions Restricted Person (as defined herein) may not participate in the EUR Exchange Offers. No Instruction submitted by a Sanctions Restricted Person will be accepted or counted, notwithstanding the purported delivery (and non-withdrawal or revocation) of an Instruction by it in respect of the EUR Exchange Offers on or before the EUR Expiration Time. The restriction described in this paragraph shall not apply if and to the extent that it is or would be a breach of any provision of Council Regulation (EC) No. 2271/96 of November 22, 1996 (the "**Blocking Regulation**") and/or any law, instrument or regulation giving effect to the Blocking Regulation in the European Union or any similar and applicable blocking law in the United Kingdom (including the Blocking Regulation as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018).

The trading of the EUR New Notes may be impacted if the Longstop Date is extended.

As of the date of this Exchange Offer Memorandum, the Longstop Date is expected to be October 15, 2024. Pursuant to the Transaction Agreement, TIM and Optics may agree to extend the Longstop Date without any consent of any third party (including the noteholders of the EUR New Notes). The decision to extend the Longstop Date may generate uncertainty regarding the closing of the Acquisition and, as such, may have an adverse effect on the trading of the EUR New Notes. Additionally, an extension of the Longstop Date may extend the anticipated timeline for the issuance of the EUR Optics Notes.

Risks Relating to the Non-Exchanging Holders of the Original Notes

The Exchange Offers may result in reduced liquidity for the Original Notes that are not exchanged.

To the extent offers of Original Notes in the Exchange Offers are accepted by the Issuer and such exchanges pursuant to the Exchange Offers are completed, the trading market for each series of the Original Notes that remain outstanding following such completion may be significantly more limited due to the reduction in the amount of Original Notes outstanding. Such remaining Original Notes may command lower prices than comparable issues of securities with greater market liquidity. Moreover, because the Issuer will have absolute discretion in determining the final amount of each series of EUR Original Notes to be accepted (including accepting none or all of any series of EUR Original Notes), such reduction is more likely to occur with respect to the EUR Original Notes than the USD Original Notes, which are to be accepted up to the Maximum Series Acceptance Amount (as defined in the USD Exchange Offer Memorandum). A reduced market value and liquidity may also make the trading price of such remaining Original Notes more volatile. As a result, the market prices for any Original Notes that remain outstanding after the completion of the Exchange Offers may be adversely affected as a result thereof. There can be no assurance that an active market in the Original Notes will exist, develop or be maintained whether or not the Exchange Offers are consummated. None of the Issuer, the Dealer Managers or the Exchange and Information Agent has any duty to make a market in any such remaining Original Notes.

Even if the Transactions are consummated, the TIM Group may still have significant leverage, which may make it difficult for it to service its debt, including the Original Notes (not offered for exchange or accepted in the Exchange Offers) and impair its ability to operate its business.

Even if the Transactions are consummated, the TIM Group may still have significant leverage and may also incur substantial additional debt in the future, including debt in connection with future acquisitions. As of December 31, 2023, the Adjusted Net Financial Debt-AL of the TIM Group, on a *pro forma* basis after giving effect to the Transactions would have amounted to €6,581 million.

The relevant trust deed or indenture of each series of Original Notes does not contain any restriction on the amount of unsecured indebtedness which the TIM Group may from time to time incur. Therefore, in the event of any insolvency or winding-up of the Issuer, the Original Notes (not offered for exchange or accepted in the Exchange Offers) 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 holders of the Original Notes (not offered for exchange or accepted in the Exchange Offers).

In addition, the Original Notes are unsecured and, save as described in the relevant trust deed or indentures, do not contain any restriction on the provision of security by the TIM Group over present and future indebtedness. Where security has been granted over assets of the TIM Group to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Original Notes (not offered for exchange or accepted in the Exchange Offers) and other unsecured indebtedness of the TIM Group in respect of such assets.

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, which will be outstanding even after the Transactions are consummated, 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.

Additionally, the TIM Group relies on non-recourse factoring arrangements and repurchase agreements to manage its liquidity. As a result, the TIM Group's liquidity position may be affected if such arrangements are no longer available on favorable terms, or at all.

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 TIM Group cannot assure that it 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 it to comply with more onerous covenants, which could further restrict its 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 New Notes and any future debt may limit TIM'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 Original Notes (not offered for exchange or accepted in the Exchange Offers). In that event, borrowings under other debt agreements or instruments that contain cross-acceleration or cross-default provisions, including the Original Notes (not offered for exchange or accepted in the Exchange Offers), may become payable on demand, and TIM may not have sufficient funds to repay all its debts, including the Original Notes (not offered for exchange or accepted in the Exchange Offers).

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.

TIM depends, in part, on payments from operating companies of the TIM Group to provide it with funds to meet its debt service obligations and the presence of minority shareholders may limit the availability of funds for debt service or result in leakage. In addition, certain of subsidiaries of the TIM Group have non-controlling shareholders whose interests may differ from the TIM Group's interests.

Even after the consummation of the Transactions, the Issuer will still be, in part, dependent upon dividends, distributions and/or intercompany loan arrangements from certain operating companies of the TIM Group in order to service its outstanding indebtedness, including the Original Notes (not offered for exchange or accepted in the Exchange Offers). Certain of the TIM's subsidiaries are not wholly owned by TIM. The TIM Group also owns minority interests in certain companies. As a consequence, the net income available to be distributed by non-wholly owned subsidiaries or minority investments where the TIM Group does not have the ability to control the manner in which distributions are made to the Issuer by way of dividends or distributions is effectively diluted and any dividends or distributions from applicable subsidiaries will result in value leakage, as such minority shareholders or majority shareholders, as the case may be, will receive a pro rata share of any dividends and distributions and thereby reduce amounts ultimately available to the Issuer, which could be used by the Issuer to make payments on its outstanding indebtedness, including the Original Notes (not offered for exchange or accepted in the Exchange Offers). The TIM Group may enter into strategic transactions in the future that involve the sale of majority or minority stakes in certain of its subsidiaries which could in the future diminish the amount of net income available to be distributed to the Issuer and there can be no assurances that the amount of the TIM Group's outstanding indebtedness would be reduced in connection with any such transactions.

Moreover, the TIM Group operates a number of its businesses through strategic partnerships with other investors who hold a non-controlling interest in the relevant business. The TIM Group's relationships with these strategic partners are governed by various contractual arrangements, which regulate, *inter alia*, the corporate governance, management and administration of such businesses. In certain circumstances, certain material decisions regarding such subsidiaries' operations, such as capital increases, relocation of corporate domicile and other relevant matters, require the consent of non-controlling shareholders. In selected cases, the TIM Group has also undertaken to make yearly dividend distributions. The TIM Group's strategic partners may not necessarily share its views on the manner in which the relevant business should operate and may exercise their rights in a manner which is adverse to it, which, in turn, may adversely affect its business. Moreover, if the TIM Group is unable to resolve such conflicts of interest or disputes with strategic partners in an amicable way, it may be required to initiate legal proceedings, which would require it to incur significant costs and expose it to substantially uncertain outcomes. As a result, any disputes with its strategic partners could cause a material adverse effect on its business, financial condition and results of operations.

Restrictions imposed by the terms of the Original 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 terms of certain series of the Original Notes and other outstanding debt agreements will 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 TIM 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, TIM'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 TIM's financial resources were insufficient to discharge their respective obligations under such agreement, TIM could be forced into bankruptcy or liquidation.

Moreover, certain credit facilities of the TIM Group include, and in the future might include, certain events of default (such as breaches of representations, warranties and undertakings and if TIM 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 terms of the relevant series of the Original Notes. If an event of default occurs under the relevant series of Original 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 TIM Group's debt instruments 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 TIM Group's assets and cash flow may not be sufficient to repay in full the defaulted debt and other debt, including the Original Notes (not offered for exchange or accepted in the Exchange Offers) then outstanding. If some or all of these instruments were accelerated, TIM or its subsidiaries could be forced into bankruptcy or liquidation, and they may not be able to repay their obligations under the Original Notes (not offered for exchange or accepted in the Exchange Offers) 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.

TIM may not be able to obtain the funds required to repurchase or redeem the EUR Original February 2028 Notes or EUR Original July 2028 Notes or certain other outstanding indebtedness upon a Change of Control or a Network Event (each as defined in the conditions of such Series of EUR TIM Original Notes) or otherwise in connection with the closing of the Acquisition.

The Conditions of the EUR Original February 2028 Notes and EUR Original July 2028 Notes contain provisions relating to certain events constituting a "Network Event" in relation to TIM. In addition, the Conditions of the EUR Original February 2028 Notes and EUR Original July 2028 Notes contain, and certain other agreements governing the indebtedness of the TIM Group contain, provisions relating to certain events constituting a "Change of Control" in respect of the TIM Group. As of the date of this Exchange Offer Memorandum, assuming the Acquisition will close by October 15, 2024 and that, pending the consummation of the Acquisition the TIM Group will not incur significantly more debt, TIM does not expect that, after the Acquisition is consummated and based on current results, the "Network Event" provisions under the EUR Original February 2028 Notes and EUR Original July 2028 Notes will be triggered. However, should the Longstop Date be postponed or should TIM incur significantly more debt pending the consummation of the Acquisition, TIM's assessment as to whether or not a "Network Event" under the EUR Original February 2028 Notes and EUR Original July 2028 Notes will be triggered may change as such an assessment will mainly depend on the relevant leverage ratio.

Upon the occurrence of an event constituting a Change of Control or a Network Event under the relevant Conditions, each noteholder of the EUR Original February 2028 Notes and EUR Original July 2028 Notes which has not offered for exchange its EUR Original February 2028 Notes or EUR Original July 2028 Notes in the EUR TIM Exchange Offers and received the corresponding EUR TIM New Notes shall have the option to require TIM to redeem (or, at TIM's option, to purchase) the EUR Original February 2028 Notes and EUR Original July 2028 Notes held by it (in whole but not in part) on the date, which is seven days after the expiration of the period of 60 days following the date a notice that a "Network Event" or a "Change of Control" has occurred is given by TIM, at 101% of their principal amount together with interest accrued to (but excluding) the date of redemption.

TIM's ability to redeem, repurchase or repay outstanding indebtedness that is subject to Change of Control or Network Event provisions, including the EUR Original February 2028 Notes and EUR Original July 2028 Notes, as well as other indebtedness containing similar provisions (*e.g.*, the FiberCop Term Loan and certain EIB Loans as well as a mandatory prepayment in respect of the TIM Term Facility Agreement following the closing of the Acquisition), is subject to its ability to fund any such redemption, repurchase or repayment at the applicable time. Such funding may be limited by TIM's ability to source external financing on reasonable terms, or at all. Any failure by TIM to comply with applicable Change of Control or Network Event provisions and any mandatory repayment provisions, including any redemption, repurchase or repayment obligations upon the exercise of a Change of Control or Network Event put option under applicable indebtedness including the EUR Original February 2028 Notes and EUR Original July 2028 Notes, upon the applicable event materializing, would constitute an event of default thereunder, which could, in turn,

trigger a cross-default under other indebtedness of the TIM Group. Should the above risks materialize, this could have a material adverse effect on TIM's business, financial condition, results of operations and prospects.

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 December 31, 2021, while others are still to be implemented. On April 3. 2023, it was announced that publication of certain tenors of U.S. dollar LIBOR settings will continue until September 30, 2024 to serve only as a temporary bridge for use in certain legacy contracts.

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 its 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).

Risks Relating to the New Notes and the Optics Notes

There may not be an active trading market for the New Notes and the Optics Notes in which case the ability of the holders of the New Notes and the Optics Notes to sell such notes will be limited.

Application will be made to the Stock Exchange for the New Notes and the Optics Notes to be admitted to listing on the Official List of the Stock Exchange and trading on the Euro MTF Market but there may be no active trading market for the New Notes and the Optics Notes.

Furthermore, the Issuer and Optics cannot assure the holders as to:

- the liquidity of any market for the New Notes and the Optics Notes;
- the holders' ability to sell their New Notes and their Optics Notes; or
- the prices at which the holders would be able to sell their New Notes and their Optics Notes.

Future trading prices of the New Notes and the Optics Notes will depend on many factors, including, among other things, prevailing interest rates, the Issuer's and Optics' operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the New Notes and the Optics Notes. The liquidity of a trading market for the New Notes and the Optics Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the New Notes and the Optics Notes will be subject to disruptions. Any such disruption may have a negative effect on the holder of the New Notes and the Optics Notes, regardless of the Issuer's and Optics' prospects and financial performance. As a result, there may not be an active trading market for the New Notes and the Optics Notes. If no active trading market develops, the holders may not be able to resell their New Notes and the Optics Notes at a fair value, if at all.

Holders are required to conduct an independent review and to seek professional advice as they deem appropriate.

Each prospective investor in the New Notes and the Optics 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 New Notes and the Optics 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 New Notes and the Optics Notes.

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

None of the New Notes Agent, Optics Notes Trustee, Optics Notes Transfer Agent and Registrar or Optics Notes Paying Agent (each as hereinafter defined) makes any representation or warranty whatsoever or accepts any responsibility as to the accuracy or completeness of the information contained in this Exchange Offer Memorandum or any responsibility for the acts or omissions of the Issuer or any other person in connection with the issuance of the New Notes or the Optics Notes or the Exchange Offers or the acquisition of the New Notes and the Optics Notes and therefore each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the New Notes and Optics Notes.

The New Notes and the Optics Notes are complex instruments that are not suitable for all investors.

Each prospective investor in the New Notes and the Optics 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 New Notes and the Optics 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 New Notes and the Optics Notes.

Each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the New Notes and the Optics Notes. A prospective investor may not rely on TIM or Optics, as the case may be, or the Dealer Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the New Notes and the Optics Notes or as to the other matters referred to herein.

Each potential investor in the New Notes and the Optics 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 New Notes and the Optics Notes, the merits and risks of investing in the New Notes and the Optics Notes and the information contained in this Exchange Offer Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular
- financial situation, an investment in the New Notes and the Optics Notes and the impact the New Notes and the Optics 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 New Notes and Optics Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the New Notes and Optics Notes and be familiar with the behavior 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 New Notes and Optics Notes unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the New Notes and the Optics Notes will perform under changing conditions, the resulting effects on the value of such New Notes and the Optics 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 New Notes and the Optics Notes, where applicable, contain optional redemption features, which are likely to limit their market value. During any period when the Issuer or Optics, as the case may be, may elect to redeem the New Notes and the Optics Notes the market value of the New Notes and the Optics 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 and Optics, as the case may be, may be expected to redeem the New Notes and the Optics Notes, as appropriate, when its cost of borrowing is lower than the interest rate on the New Notes and the Optics 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 New Notes and the Optics 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.

Neither the Issuer, Optics, the Dealer Managers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the New Notes and the Optics 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.

An investment in the New Notes and the Optics Notes involves interest rate risks.

Investment in the New Notes and the Optics Notes, which bear a fixed rate of interest, involves the risk that if market interest rates subsequently increase above the rate paid on the New Notes and the Optics Notes, this will adversely affect the value of the New Notes and the Optics 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 New Notes and the Optics Notes may fall as a result of movements in market interest rates.

The market value of the New Notes and the Optics Notes could decrease if the Issuer's or Optics' creditworthiness deteriorates.

The market value of the New Notes and the Optics Notes will suffer if the market perceives the TIM Group or Optics, as the case may be, to be less likely to fully perform all obligations under the New Notes and the Optics Notes when they fall due. Even if the TIM Group's or Optics', as the case may be, ability to fully perform all obligations under the New Notes and the Optics 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 or Optics, as the case may be, could adversely change, thereby causing the market value of the New Notes and the Optics Notes to fall. If any of these events occurs, third parties would only be willing to purchase New Notes and the Optics Notes for a lower price than before the crystallization of these risks. Under these circumstances, the market value of the New Notes and the Optics Notes could decrease.

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.

One or more independent credit rating agencies may assign credit ratings to the New Notes and the Optics Notes. The credit ratings address the Issuer's and Optics' ability to perform its obligations under the terms of the New Notes or Optics Notes, as the case may be, and credit risks in determining the likelihood that payments will be made when due under the New Notes or the Optics Notes, as the case may be. 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 New Notes or the Optics Notes, as the case may be. 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 the TIM Group or Optics Group and/or to the New Notes or the Optics Notes, as applicable, may have a negative impact on the market value of the New Notes or the Optics Notes, as the case may be, 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 New Notes or the Optics Notes, as the case may be, as opposed to any revaluation of the TIM Group's or the Optics Group's financial strength or other factors such as conditions affecting the TIM Group's or the Optics 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 New Notes or the Optics Notes, as the case may be, by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of the TIM Group's or Optics' financings and could adversely affect the value and trading of the New Notes or the Optics Notes, as the case may be.

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

The EUR TIF New Notes and the EUR Optics (TIF) Notes have denominations consisting of the minimum specified denominations of €100,000 plus one or more higher integral multiples of €1,000 in excess thereof up to and including €199,000. As such it is possible that such EUR TIF New Notes and the EUR Optics (TIF) 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 the EUR TIF New Notes and the EUR Optics (TIF) 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 EUR TIF New Note or EUR Optics (TIF) Note, as applicable, in respect of such holding (should definitive EUR TIF New Notes and EUR Optics (TIF) Notes be printed) and would need to purchase a principal amount of EUR TIF New Notes and EUR Optics (TIF) Notes at or in excess of the minimum specified denomination such that its holding amounts to a specified denomination.

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

The New Notes and/or the Optics Notes may not become, or remain, listed on the Stock Exchange.

Although the Issuer and Optics intend to have the New Notes and the Optics Notes listed on the Official List of the 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 New Notes and the Optics Notes are outstanding, the Issuer and Optics cannot assure prospective investors that the New Notes and/or the Optics Notes will become or remain listed. If the Issuer and/or Optics cannot maintain the listing of the New Notes and/or the Optics Notes on the Official List of the Stock Exchange or it becomes unduly onerous to make or maintain such listing, the Issuer and/or Optics may cease to make or maintain such listing on the Official List of the Stock Exchange. Although no assurance is made as to the liquidity of the New Notes and/or the Optics Notes as a result of listing on the Official List of the Stock Exchange, failure to be approved for listing or the delisting of the New Notes and/or the Optics Notes from the Official List of the Stock Exchange may have a material adverse effect on a holder's ability to resell the New Notes and/or the Optics Notes in the secondary market.

Holders of the New Notes and the Optics Notes will not be entitled to registration rights, and neither the Issuer nor Optics does currently intend to register the New Notes and the Optics Notes, as applicable, under applicable securities laws. There are restrictions on investors ability to transfer or resell the New Notes and the Optics Notes.

The New Notes and the Optics Notes are being sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws, and neither the Issuer nor Optics currently intends to register the New Notes and the Optics Notes, as applicable. The holders of the New Notes and Optics Notes, as applicable, will not be entitled to require the Issuer and Optics to register the New Notes and the Optics Notes, as applicable, for resale or otherwise. Therefore, investors may transfer or resell the New Notes and Optics Notes in the U.S. only in a transaction registered under or exempt from the registration requirements of the Securities Act and applicable state securities laws, and investors may be required to bear the risk of their investment for an indefinite period of time. See "*Notice to Investors*" and "*Offer Restrictions.*" Neither the Issuer nor Optics has agreed to, nor have they undertaken to register, any of the New Notes and Optics Notes, nor do they have any intention to do so.

Prospective investors may face foreign exchange risks by investing in the EUR New Notes and the EUR Optics Notes.

The EUR New Notes and the EUR Optics Notes will be denominated and payable in Euro. An investment in the EUR New Notes and the EUR Optics Notes denominated in a currency other than the currency by reference to which holders 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 or Optics has no control. Depreciation of the euro against other relevant currencies could cause a decrease in the effective yield of the EUR New Notes and EUR Optics Notes their stated coupon rates and could result in a loss to noteholders when the return on the EUR New Notes or the EUR Optics Notes, as the case may be, 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 EUR New Notes or the EUR Optics Notes.

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. Neither the Issuer nor Optics can assure that the official exchange rate at which the EUR New Notes or the EUR Optics Notes, as the case may be, 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 New Notes or the EUR Optics Notes, as the case may be.

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 New Notes or the Optics Notes are legal investments for it, (b) the New Notes or the Optics Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any New Notes or the Optics Notes.

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

The net proceeds from the issue of the EUR Original January 2029 Notes were allocated, in whole or in part, to finance or refinance existing and/or new Eligible Green and Social Projects in accordance with TIM Group Sustainability Financing Framework (the "**TIM Framework**"). As of the date of this Exchange Offer Memorandum, such net proceeds have been fully allocated in compliance with the TIM Framework. There can be no assurance that the EUR Optics January 2029 notes will be issued in accordance with the principles set out by the International Capital Market Association, (respectively, the Green Bond Principles ("**GBP**"), the Social Bond Principles ("**SBP**") and the Sustainability Bond Guidelines ("**SBG**")), which may result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

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

The Conditions of the EUR Optics Notes are based on English law in effect as at the date of this Exchange Offer Memorandum, save that provisions convening meetings of Noteholders and the appointment of the Security Agent as *mandatario con rappresentanza* and legal representative of the holders of the EUR Optics Notes pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code and the appointment of a common representative (*rappresentante comune*) pursuant to Articles 2417 and 2418 of the Italian Civil Code, if any, in respect of any Series of the EUR Optics Notes 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 (where applicable) or administrative practice after the date of this Exchange Offer Memorandum which may affect, for example, the extent to which the EUR Optics Notes:

- Remain legal investments for certain Noteholders;
- Can continue to be used as collateral for various types of borrowing; or
- Remain attractive investments to potential buyers or can otherwise be freely traded.

The unforeseen consequences of any such change could have a material adverse effect on the marketability and /or value of EUR Optics Notes or on the right of certain investors to continue holding the EUR Optics Notes and, under those circumstances, certain investors may be compelled to sell their EUR Optics Notes at a loss. See also and "*Decisions at Noteholders' meetings bind all Noteholders and Noteholders' meeting provisions may change by operation of law or because of changes in Optics' circumstances*."

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

Optics is organized under the laws of Italy and therefore payments of principal and interest on the Optics Notes and, in certain circumstances, any gain on the Optics Notes, will be subject to Italian tax laws and regulations. All payments

made by Optics or on its behalf in respect of the Optics Notes will be made free and clear of withholding or deduction for, or on account of, any present or future taxes, unless the withholding or deduction is required by law. In that event, subject to a number of exceptions, Optics will pay such additional amounts as may be necessary such that the net amounts received after such withholding or deduction shall equal the respective amounts that would have been received in regard to such Optics Notes, as the case may be, had no such withholding or deduction been required.

Optics and its guarantors are not liable to pay any additional amounts to holders of the Optics Notes, as the case may be, in certain circumstances, including if any withholding or deduction is required pursuant to Decree No. 239 except where the procedures required under Decree No. 239, in order to benefit from an exemption from Italian Substitute Tax, have not been complied with due to the actions or omissions of Optics or its agents. In those circumstances, investors will receive the proceeds of their investment in the Optics Notes, as the case may be, net of applicable withholding or deductions. See "*Certain Tax Consideration – Certain Italian Tax Considerations.*"

In particular, holders of Optics 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 Certain Italian Tax Considerations), and certain categories of holders of the Optics Notes who are residents in Italy, will therefore only receive the net proceeds of their investment in the Optics Notes, as the case may be, and will not be paid any additional amounts to compensate them for the withholding or deduction.

Although Optics believes that, under current law, Italian withholding tax or substitute tax will not be imposed under Decree No. 239 where the Optics Notes are traded on a regulated market or multilateral trading facility of an European Union or EEA country and the holder of the Optics 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 "*Certain Tax Consideration.*"

Moreover, holders of the Optics 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.

The regime provided by Decree No. 239 and in particular the exemption from withholding tax in principle granted to holders of the EUR Optics Notes who are the beneficial owners of the EUR Optics Notes (or, if the holders are institutional investors not subject to tax, even if they are not the beneficial owners of the EUR Optics Notes) and are resident in countries included in the White List applies if certain procedural requirements are met. See "*Certain Tax Considerations—Certain Italian Tax Considerations*". 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 EUR Optics Notes to foreign investors resident in countries included on the White List. In such event, Optics or the relevant guarantor, as the case may be, will not be required to pay any additional amounts with respect to such withholding tax or substitute tax.

Italian tax changes may affect the tax treatment of the EUR TIF New Notes and of the EUR Optics Notes

Italian Law No. 111 of August 9, 2023 ("**Law 111**"), delegates power to the Italian government to enact, within twenty-four months from its publication, one or more legislative decrees implementing the reform of the Italian tax system (the "**Italian Tax Reform**").

According to Law 111, the Italian Tax Reform could significantly change the taxation of financial incomes and capital gains and introduce various amendments in the Italian tax system at different levels. The precise nature, extent, and impact of these amendments cannot be quantified or foreseen with certainty at this stage.

The information provided in this Exchange Offer Memorandum may not reflect the future tax landscape accurately.

Investors should be aware that the amendments that may be introduced to the tax regime of financial incomes and capital gains could increase the taxation on interest, similar income and/or capital gains accrued or realized under the EUR TIF New Notes and the Optics Notes and could result in a lower return of their investment.

Prospective investors should consult their own tax advisors regarding the tax consequences of the Italian Tax Reform.

TIM and Optics are incorporated in Italy, and Italian insolvency laws may not be as favorable to holders of the New Notes and the Optics Notes as insolvency laws in other jurisdictions with which they may be familiar.

TIM and Optics are organized and are likely to have their center of main interests under the laws of Italy.

The insolvency laws of Italy may not be as favorable to noteholders' interests as the laws of the U.S. or other jurisdictions with which noteholders may be familiar, including in respect of creditors' reorganization, 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 New Notes or the Optics Notes, as the case may be, to the extent exceeding the limitations arising under other insolvency laws.

In the event that any one or more of TIM or Optics or a guarantor or any other of the Issuer's subsidiaries experiences financial difficulty, it is not possible to predict with certainty the outcome of such proceedings or their duration (which may be significantly longer than the duration of analogous proceedings in jurisdictions you may be familiar with). In particular, the relevant indentures, trust deed and the Intercreditor Agreement could be limited in scope and effect by Italian courts to the extent their covenants and provisions, which are untested under Italian case law, could be considered to conflict with mandatory provisions of Italian law. In addition, 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. As a consequence, enforcement of rights under the TIM Notes and/or Optics Notes (as the case may be), the guarantees and the Optics Notes Collateral in an insolvency situation may be delayed and be complex and costly for creditors. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations.*"

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 January 12, 2019 implementing the guidelines contained in Law No. 155 dated October 19, 2017 (as subsequently amended and supplemented, the "Insolvency Code," also known as "Code of Business Crisis and Insolvency") (*Codice della Crisi d'Impresa e dell'Insolvenza*) – 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 March 16, 2019, the Insolvency Code came into force starting from July 15, 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 agreement (*accordo di ristrutturazione dei debiti*) or the opening of a composition with creditors proceeding (*concordato preventivo*), in each case filed or pending before July 15, 2022. As of the date of this Exchange Offer Memorandum, the vast majority of the provisions of the 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 Exchange Offer Memorandum.

Total remuneration under the Notes will be automatically reduced if it exceeds the anti-usury cap levels set under Italian law.

Under Italian law, any obligation of an Italian company and/or any obligation secured or guaranteed by an Italian company, to pay any portion of remuneration (including interest, default interest, fees, charges, expenses and other costs and any other form of compensation related to the Notes) in excess of the thresholds permitted under Italian law No. 108 of March 7, 1996, as amended from time to time and related implementing rules and regulations (the "**Italian Usury Law**") may not be enforceable. Although the applicability of the Italian Usury Law to securities such as the

New Notes and/or the Optics Notes (as the case may be) (and, among others, related original issue discounts and make-whole payments that may be due under the applicable terms) remains untested, the relevant trust deed will provide that, if the remuneration applicable to New Notes and/or the Optics Notes (as the case may be) (including interest, default interest, fees, original issue discounts, premium, charges, expenses and other costs and any other form of compensation related to the New Notes and/or the Optics Notes (as the case may be) (the "**Total Remuneration**")) at any time exceeds the maximum remuneration permitted under applicable Italian law (including the Italian Usury Law), then the Total Remuneration will immediately and automatically be reduced to the maximum remuneration permissible under applicable Italian law (including the Italian Usury Law) for, and limited to, the period during which it is not possible to apply the remuneration as originally provided. This will result in a change of the economic terms of the New Notes and/or the Optics Notes (as the case may be) which, in turn, may adversely impact the rights of the holders of the New Notes and Optics Notes and may have a material adverse effect on the market value of the New Notes and/or the Optics Notes (as the case may be).

Risks Relating to the New Notes

The New Notes are structurally subordinated to the indebtedness and other obligations of TIM's subsidiaries other than those of the Issuer.

Any claim by TIM or any of its creditors, including the holders of the New Notes, against any subsidiaries will be structurally subordinated to all of the claims of creditors of such subsidiaries other than those of the Issuer, 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 terms of the New Notes will not limit the transfer of assets to, or the making of investments in, any of TIM's subsidiaries.

In the event of insolvency, liquidation or other reorganization of any of its subsidiaries, creditors of such subsidiaries will generally be entitled to payment in full from their respective assets before TIM is entitled to receive any distribution from such assets as equity holders. Except to the extent that TIM 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 TIM as equity holder, and there is no assurance that the claims (if any) of TIM 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 New 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 New Notes, to the extent of the value of the assets securing such indebtedness.

The New Notes will not be secured. 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 New Notes. As such, the New Notes will be 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 New Notes on an equal and ratable basis or priority basis). Although the terms of the New Notes will limit the incurrence of secured indebtedness, where applicable, such limitations are subject to a number of significant exceptions.

In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, 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 New Notes on an equal and ratables basis or priority basis). The holders of the New Notes will participate ratably 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 New 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 New Notes. As a result, holders of New Notes may receive less, ratably, than holders of secured indebtedness of the Issuer.

Because the Global Notes are held on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The EUR TIF New Notes will be represented by the relevant Global Notes except in certain limited circumstances described in the relevant Permanent Global Note. The relevant Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the relevant Permanent Global Note, investors will not be entitled to receive definitive EUR TIF New Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the relevant Global Notes. While the EUR TIF New Notes are represented by the relevant Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the EUR TIF Notes are represented by the relevant Global Notes, TIF will discharge its payment obligations under the EUR TIF New Notes by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the EUR TIF New Notes. TIF has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the relevant Global Notes.

Holders of beneficial interests in the relevant Global Notes will not have a direct right to vote in respect of the EUR TIF New Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

There is a risk that restrictions on the deductibility of interest payments under the EUR TIF New Notes may be implemented.

Fiscal and certain tax considerations policy and practice is constantly evolving and there have recently been a number of developments. In particular, a number of changes of law and practice are occurring as a result of the OECD Base Erosion and Profit Shifting project ("**BEPS**"). Investors should note that certain action points which form part of the OECD BEPS project (such as Action 4, which can deny deductions for financing costs as discussed below, or Action 2 on hybrid mismatch arrangements) have been or may be implemented in a manner which may affect the tax position of TIF.

As part of its anti-tax avoidance package, and to provide a framework for a harmonized implementation of a number of the BEPS conclusions across the EU, the EU Council adopted Council Directive (EU) 2016/1164 (the "**EU Anti-Tax Avoidance Directive 1**") on July 12, 2016. The EU Council further adopted Council Directive (EU) 2017/952 (the "**EU Anti-Tax Avoidance Directive 2**" and, together with the Anti-Tax Avoidance Directive 1, the "**EU Anti-Tax Avoidance Directives**") on May 29, 2017, amending the EU Anti-Tax Avoidance Directive 1, to provide for minimum standards for counteracting hybrid mismatches involving EU member states and third countries.

The EU Anti-Tax Avoidance Directives contain various measures that could potentially result in payments of interest under the EUR TIF New Notes ceasing to be fully deductible for Luxembourg corporate income tax purposes. This could increase the TIF liability to tax and reduce the amounts available for payments on the EUR TIF New Notes. There are two measures of particular relevance in this regard.

Firstly, the interest limitation requirements set out by the Anti-Tax Avoidance Directive 1 have already been implemented in Article 168bis of the Luxembourg income tax law effective as of January 1, 2019, which restrict, for a Luxembourg taxpayer, the deduction of net interest expenses qualifying as "excess borrowing costs" to the higher of (i) 30% of the taxpayer's EBITDA (defined as the taxpayers total net income increased by the amount of its excess borrowing costs, depreciation and amortization), and (ii) €3 million.

Excess borrowing costs are defined as the amount by which the deductible borrowing costs of a taxpayer exceeds the taxpayer's taxable interest revenues and other economically equivalent taxable income of the taxpayer. Excess

borrowing costs not deductible in a tax period can be carried forward indefinitely. The same applies to a taxpayer's excess interest capacity which cannot be used in a given tax period (however, such excess interest capacity can only be carried forward for a maximum period of 5 years).

Secondly, the EU Anti-Tax Avoidance Directives also contain rules relating to so-called hybrid mismatches. Luxembourg implemented the anti-hybrid mismatch rules under amended Article 9 of EU Anti-Tax Avoidance Directive 1 and 2 in Article 168ter of the Luxembourg income tax law with effect as of January 1, 2020.

As per Article 168ter of the Luxembourg income tax law, a hybrid mismatch arises when a payment between entities located in different states results in a double deduction or a deduction without inclusion. In the event of a double deduction, the deriving hybrid mismatch should be adjusted by denying the deduction at the level of either (i) the payee or (ii) the payor (*provided* that the deduction has not already been denied at the level of the payee). In the event of a deduction without inclusion, the deriving hybrid mismatch shall be adjusted by means of either (i) the denial of the deduction at the level of the payor or (ii) the inclusion of the payment in the taxable income of the payee (*provided* that the deduction has not already been denied at the level of the payor).

A hybrid mismatch occurs only if it arises either (i) between "associated enterprises" or (ii) in the case of a structured arrangement.

The impact of the EU Anti-Tax Avoidance Directive 2 depends on the tax treatment at the level of the relevant Noteholder and may alter the tax position of the TIF.

Further to Action 1 of the BEPS project, the OECD published blueprints (commonly referred to as "**BEPS 2.0**"), divided into two "pillars" of issues, seeking to address tax challenges arising from digitalization of the economy, and proposing fundamental changes to the international tax system. Pillar One proposes the reallocation of taxing rights between jurisdictions, and Pillar Two additional global anti-base erosion rules. The implementation of the Pillar One and Pillar Two proposals was scheduled for 2023. On December 22, 2021, the European Commission proposed an EU directive ensuring a minimum effective tax rate in line with Pillar Two. The proposal has been unanimously approved by all Member States, which are required to implement these rules into their national systems before December 31, 2023. On December 22, 2023, Luxembourg implemented Pillar 2 into national law.

The extent of the implementation of Pillar 2 Directive in the jurisdictions in which the TIM Group operates is still uncertain. Specifically, the scope and applicability of Pillar 2 are yet to be determined, so that, depending on the application of the technical detail of BEPS 2.0, TIF or any other member of the TIM Group may suffer additional tax as effective tax rates could increase within the TIM Group or on its investments and assets, including by way of higher levels of tax being imposed than is currently the case, possible denial of deductions or increased withholding taxes and/or profits being allocated differently.

Disallowance of the tax deductibility of interest due to associated enterprises located in a country listed on the EU list of non-cooperative jurisdictions

On January 28, 2021, the Luxembourg Parliament passed a law prohibiting as from March 1, 2021 the deduction of interest expenses or royalties, accrued or paid, to entities established in jurisdictions (countries or territories) which are considered to be "non-cooperative" (such countries or territories being designated on a so-called "**Blacklist**"). Expenses will be concerned as from January 1, 2021 onward when they are paid or due to "related parties", a concept as defined for the purposes of Luxembourg's transfer pricing rules, i.e. Article 56 of the Luxembourg income tax law dated December 4, 1967, as amended. This limitation applies when the recipient of the expense is a corporate entity, which, under Luxembourg tax law, is considered as "opaque". However, where a Luxembourg taxpayer can prove "valid commercial reasons that reflect economic reality", such prohibition would not apply. The Blacklist should, in principle, be the same as the most recent list published (at that moment) by the EU Council of "non-cooperative" countries and territories. This Blacklist will be updated regularly by the Luxembourg Government when presenting the annual budget bill. This law may have a significant impact for certain investment structures. The denial of the deductibility regime will cease to apply to interest or royalties owed to an entity that is resident in a jurisdiction that is being removed from the EU list as from the date of the publication of the updated list in the Official Journal of the EU. The list adopted by the EU Council on February 20, 2024 is composed of American Samoa, Anguilla, Antigua and Barbuda, Fiji, Guam, Palau, Panama, the Russian Federation, Samoa, Trinidad and Tobago, the US Virgin Islands

and Vanuatu. Any change to such list could materially and adversely affect the amount of payments made by the TIF to Noteholders in respect of the New Notes.

Risks Relating to the Optics Notes

As the EUR Optics Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on the clearing system procedures for transfer, payment and communication with Optics

The EUR Optics Notes will be registered in the name of a nominee of a common depository and deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive the relevant Definitive Certificates. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the relevant Global Certificate. While the EUR Optics Notes are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg, as the case may be.

While the EUR Optics Notes are in global form, Optics will discharge its payment obligations under the EUR Optics Notes by making payments to, or to the order of, the nominee of a common depositary. A holder of a beneficial interest in a EUR Optics Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg, as the case may be, to receive payments under the EUR Optics Notes. Optics has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in such a Global Note.

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

Despite Optics' substantial leverage, Optics may incur substantial additional debt in the future. The USD Optics Notes Indenture, the EUR Optics Notes Trust Deed and the terms of the Optics Financing Arrangements permit Optics to incur an unlimited amount of additional indebtedness, including at subsidiaries that do not guarantee the Optics Notes and a substantial amount of additional indebtedness at NetCo prior to the consummation of the Push-Down Merger. In addition, such indebtedness may be permitted to share in the Optics Notes Collateral or benefit from security interests over assets that do not secure the Optics Notes, and any such indebtedness could mature prior to the Optics Notes. If additional debt is incurred, the related risks that Optics faces would increase. Optics' inability to service its debt could have a material adverse effect on its business, financial position, results of operations and its ability to fulfil Optics' obligations under the Optics Notes.

Optics is subject to restrictive covenants that limit its operating and financial flexibility.

The EUR Optics Notes Trust Deed and the terms of the Optics Financing Arrangements contain covenants which impose significant operating and financial restrictions on Optics. For example, Optics shall be restricted from engaging in material business, with certain specified exceptions, until the completion of the Push-Down Merger.

All of these limitations will be subject to significant exceptions and qualifications. See "*Terms and Conditions of the EUR Optics (TIF) Notes*." In addition, the Optics Group is subject to further covenants and limitations under the Optics Financing Arrangements. The covenants to which Optics is subject could limit its ability to operate the business, to finance its future operations and capital needs and to pursue business opportunities and activities that may be in its interest. For further information, please see "*Description of Certain Other Financing Arrangements of the Optics Group—Senior Facilities Agreement—Affirmative Covenants*," "*Description of Certain Other Financing Arrangements of the Optics Group—Senior Facilities Agreement—Affirmative Covenants*," "*Description of Certain Other Financing Arrangements of the Optics Group—Senior Bridge Facility Agreement—Negative Covenants*" and "*Description of Certain Other Financing Arrangements of the Optics Group—Senior Bridge Facility Agreement—Negative Covenants.*"

The Optics 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 Optics Group's borrowings could materially adversely affect its financial condition.

The Optics 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 Optics 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. The Optics Group 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 Optics Group also faces risks that it may be unable to refinance some or all of its borrowings on similar terms to the Optics Notes and the Optics Financing Arrangements, on terms that it deems appropriate or at all. The Optics Group's ability to refinance its future 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 Optics 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 particularly with respect to those to be incurred by NetCo;
- 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 Optics Group cannot assure investors that it 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 it to comply with more onerous covenants, which could further restrict its business, financial condition and results of operations. The type, timing and terms of any future financing will depend on the Optics Group's cash needs and the prevailing conditions in the financial markets. In addition, the terms of the Optics Notes and any future debt may limit Optics' ability to pursue any of these measures.

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

Until the Push-Down Merger is consummated (if at all), Optics' ability to repay its debt will be dependent on its ability to obtain cash from its subsidiaries.

Until the Push-Down Merger is consummated, Optics is a holding company that conducts no business operations of its own and has no significant assets other than the shares it holds in its direct subsidiaries. Repayment of the FiberCop Term Loan and its other indebtedness, including under the Optics Notes, is dependent on the Optics Financing Arrangements and a certain equity contribution from Optics HoldCo to Optics and from Optics to NetCo (by means of an intercompany loan to be granted from Optics to NetCo and/or an equity contribution made by Optics to NetCo), separately, on the ability of Optics' direct and indirect subsidiaries to make cash available to it, by dividend

distributions, debt repayment, including by way of payment of amounts owed to Optics pursuant to any Funding Loan, loans or otherwise. In particular, funds received by NetCo through the NetCo Funding will be applied to repay the FiberCop Term Loan and the FiberCop Intercompany Loan.

In the event that Optics puts in place a Funding Loan to NetCo, the principal amount of such Funding Loan (if any) may be significantly less than the principal amount of indebtedness of Optics pro forma for the Acquisition as of the Acquisition Closing Date. Accordingly, pending the Push-Down Merger, NetCo may need to upstream funds to Optics by way of payments of interest and principal of the Funding Loan (if any), dividends and other means to service indebtedness of Optics, including the Optics Notes which may entail certain inefficiencies and leakages.

Moreover, Optics' subsidiaries may not be able to, or may be restricted by the terms of their existing or future indebtedness, or by law, in their ability to make distributions or advance upstream loans to enable Optics to make payments in respect of its indebtedness, including the Optics Notes. Each subsidiary of Optics is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit its ability to obtain cash from its subsidiaries. The Optics Group may enter into strategic transactions in the future that involve the sale of majority or minority stakes in certain of its subsidiaries which could in the future diminish the amount of net income available to be distributed to Optics and there can be no assurances that the amount of Optics' outstanding indebtedness would be reduced in connection with any such transaction.

Optics may be unable to complete the Push-Down Merger within the anticipated time-frame, or at all.

Following the consummation of the Transactions, Optics intends to use commercially reasonable endeavors, subject to any relevant approval and/or authorization by any competent authority, to merge Optics with NetCo, with NetCo being the surviving entity within six months following the Acquisition Closing Date. The Push-Down Merger will be undertaken pursuant to the provisions of Article 2501-*bis* and following of the Italian Civil Code and other applicable provisions of Italian law. Fastweb currently owns a 4.5% stake in FiberCop. If Fastweb continues to be a shareholder of NetCo following the Acquisition, it is expected that Fastweb will have a withdrawal right, pursuant to article 2437 of the Italian Civil Code (which is substantially a right to sell its shares to NetCo or other shareholders of NetCo, on the terms and conditions provided by law), in particular in the event that certain amendments are made to the bylaws of NetCo (prior to or at the consummation of the Acquisition). This includes amendments with respect to the deletion/amendment of certain transfer restrictions currently included in the bylaws, which may be necessary to allow (or in any event facilitate) the creation of security over NetCo's shares in the context of the Transactions and the subsequent transfer that could occur following the enforcement of the pledge upon exercise). Accordingly, Fastweb may opt to exercise such withdrawal right to sell its minority stake and to be liquidated following the Acquisition. The funding of the potential liquidation of Fastweb shares will be determined by Optics at the relevant time. As of the date of this Exchange Offer Memorandum, Optics does not anticipate funding the potential liquidation of Fastweb shares through the incurrence of debt. In order to complete the Push-Down Merger, there are various steps that Optics must take, including the preparation of a merger plan, a report by the directors of the companies involved in the Push-Down Merger (*relazione dell'organo amministrativo*) and a report by an independent expert appointed by the court, assessing the sustainability of debt at the level of NetCo.

Optics' estimation of the timing required to complete the Push-Down Merger is based upon market practice for leveraged buyouts in Italy, which typically involves acquisition vehicles in the form of joint stock companies (*società per azioni*) where an independent expert is required to be appointed by the court, which creates an inherent uncertainty as to the length of time in which the Push-Down Merger can be expected to take place. In addition, there can be no assurance that (i) the independent expert will release its report, (ii) its report will confirm the reasonableness of the merger plan assumptions or (iii) the other steps required for the Push-Down Merger will be taken in a timely manner, or at all. Subject to certain exceptions, the Push-Down Merger can only be implemented following the expiration of 60 days after the latest filing with the competent companies' registry of the resolutions approving the Push-Down Merger. Within this 60-day deadline, the creditors of the companies involved in the Push-Down Merger are entitled to challenge the Push-Down Merger.

As a result of the consummation of the Push-Down Merger, to the extent that NetCo is the successor company of the Push-Down Merger, (i) the obligations of Optics as issuer of the Optics Notes pursuant to the USD Optics Notes Indenture and the EUR Optics Notes Trust Deed will be assumed by NetCo, (ii) NetCo will no longer be a separate legal entity and the security interests over Optics' receivables in respect of material intercompany loans granted to

NetCo will automatically cease to exist, and (iii) the security interests over the share capital of Optics will be extinguished by operation of law and the Optics Notes will instead be secured by the pledge on the portion of the shares of NetCo as entity resulting from the Push-Down Merger held by Optics HoldCo and intercompany loans made available by Optics HoldCo to Optics as substituted by NetCo. In the event Optics is unable to consummate the Push-Down Merger, Optics will remain the issuer of the Optics Notes.

Restrictions imposed by the terms of the Optics Notes and certain of the Optics' other outstanding debt agreements will limit its ability to take certain actions, which may limit the Optics' ability to finance future operations and capital needs and to pursue business opportunities and activities.

The terms of certain series of the Optics Notes and other outstanding debt agreements will limit the Optics' flexibility to operate its business.

In addition, the Optics Financing Arrangements 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 Optics' business, as well as events of default provisions. If Optics 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, in turn, could result in termination rights, acceleration rights, draw stops or increases in interest rates or fees in such credit facilities. In these circumstances, Optics' 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 Optics' financial resources were insufficient to discharge their respective obligations under such agreement, Optics could be forced into bankruptcy or liquidation.

Moreover, certain credit facilities entered into by Optics include, and in the future might include, certain events of default (such as breaches of representations, warranties and undertakings and if Optics 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 terms of each series of the Optics Notes. If an event of default occurs under any series of the Optics Notes or any of the Optics' 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 Optics' debt instruments, including certain series of the Optics 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, Optics' assets and cash flow may not be sufficient to repay in full the defaulted debt and other debt, including the Optics Notes then outstanding. If some or all of these instruments were accelerated, Optics could be forced into bankruptcy or liquidation, and it may not be able to repay its obligations under the Optics Notes in such an event.

Any future debt may include similar or other restrictive terms. These restrictions could materially and adversely affect Optics' 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.

Some of the Optics 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 Optics Group's outstanding borrowings bear interest at floating rates, exposing the Optics 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 Optics 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 Optics Group's ability to make payments on the Optics 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 Optics 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 Optics Group's variable-rate debt may be discontinued at any time. Further, there can be no assurance

that, if the Optics Group wishes to hedge its interest rate exposure, such hedging arrangements will be available to the Optics 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 December 31, 2021, while others are still to be implemented. On April 3, 2023, it was announced that publication of certain tenors of U.S. dollar LIBOR settings will continue until September 30, 2024 to serve only as a temporary bridge for use in certain legacy contracts.

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 Optics 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 Optics Group's finance documentation that references such rate and, in relation to any of its 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).

Optics HoldCo, Optics and any other provider of Optics Notes Collateral will have control over the Optics Notes Collateral, and the sale of particular assets could reduce the pool of assets securing the Optics Notes.

The Security Documents relating to the Optics Notes will allow Optics HoldCo, Optics and any other Optics Notes Collateral providers, as applicable, to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Optics Notes Collateral to the extent that it relates to their assets. So long as no acceleration event has occurred and subject to certain conditions, Optics HoldCo, Optics and any other Optics Notes Collateral providers, as applicable, may, among other things, conduct ordinary course activities with respect to the Optics Notes Collateral, such as selling, factoring, abandoning or otherwise disposing of the Optics Notes Collateral and, making ordinary course cash payments, including repayments of indebtedness, in each case in accordance with, or as otherwise permitted or not prohibited by the EUR Optics Notes Trust Deed or the documents creating security over the Optics Notes Collateral or the Intercreditor Agreement. Any of these activities could reduce the value of the Optics Notes Collateral, which could in turn reduce the amounts payable to holders of the Optics Notes from the proceeds of any sale of the Optics Notes Collateral in the case of an enforcement of the liens on the Optics Notes Collateral.

The principal amount of the receivables forming part of the Optics Notes Collateral may be reduced as a result of prepayments of such loan prior to the maturity date of the Optics Notes

The receivables from certain material structural intercompany loans from Optics, including the Funding Loan (if any) (or, after the Push-Down Merger, Optics HoldCo) will constitute part of the Optics Notes Collateral. Repayments of such intercompany loans, including the Funding Loan (if any), prior to the maturity date of the Optics Notes would result in a reduction in the receivables and EUR Optics Notes Trust Deed will not prohibit any such prepayments. Any reduction in the principal amount of such intercompany loans would reduce the value of such receivables and the Optics Notes Collateral.

Prior to completion of the Push-Down Merger and, in the event that the Push-Down Merger does not occur prior to the granting of the guarantee by NetCo, the Optics Notes will be structurally subordinated to the existing or future indebtedness or obligations of each of Optics' subsidiaries, including NetCo. After the granting of the guarantee by NetCo (and subject to the limitations thereon), the Optics Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of Optics, other than NetCo. After the Push-Down Merger, the Optics Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of any subsidiaries of NetCo.

On the Optics Notes Issue Date, the Optics Notes will only be obligations of Optics and will not be guaranteed. Subject to certain agreed security principles and to certain material limitations pursuant to applicable laws Optics will use commercially reasonable endeavors, subject to any relevant approval and/or authorization by any competent authority, to implement the Push-Down Merger on terms complying with articles 2501-bis and following of the Italian Civil Code, within six months from the Acquisition Closing Date. The Push-Down Merger is subject to certain conditions and significant limitations under applicable Italian law and there is no assurance that it will be completed. See "*— Optics may be unable to complete the Push-Down Merger within the anticipated timeframe, or at all*," "*—Once granted, the guarantees, including the NetCo Guarantee, and the Optics Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability" and "Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations.*"

Prior to completion of the Push-Down Merger and, in the event that the Push-Down Merger does not occur prior to the granting of the guarantee by NetCo, the Optics Notes will be structurally subordinated to the existing or future indebtedness or obligations of each of the Optics' subsidiaries, including NetCo. After the granting of the guarantee by NetCo (and subject to the limitations thereon), the Optics Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of Optics, other than NetCo. After the Push-Down Merger, the Optics Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of NetCo.

More generally, the Optics Notes will be structurally subordinated to the existing or future liabilities of the Optics' subsidiaries that are not, or do not become, Guarantors and to the liabilities of any Guarantor to the extent that such liabilities exceed the principal amount of Optics Notes that can be guaranteed or secured by NetCo or any other relevant Guarantor. Subject to the operation of certain agreed security principles and certain significant limitations under applicable laws, the NetCo Guarantee, if and once granted, and any other future Guarantees, will provide the holders of the Optics Notes with direct claims against NetCo or the other relevant Guarantor, as applicable. However, the obligations of any Guarantor of the Optics Notes under its Guarantee will be limited under the EUR Optics Notes Trust Deed to an amount which has been determined so as to ensure that amounts payable will not result in violations of applicable laws (including – without limitation – rules and principles relating to financial assistance and/or corporate benefit) or otherwise cause such Guarantor to be deemed insolvent under applicable law or such Guarantee to be deemed void, unenforceable or ultra vires, or cause the directors of such Guarantor to be held in breach of applicable law for providing the Guarantee. As a result, a Guarantor's liability under its Guarantee could be materially reduced or eliminated depending upon the amount of its obligations and upon applicable laws. The NetCo Guarantee and of any other subsidiary which might be required in the future to become a Guarantor under the EUR Optics Notes Trust Deed be subject to significant limitations pursuant to applicable laws. In particular, if the NetCo Funding will not be made available to NetCo in the form of an intercompany loan and no other financial support (other than equity contributions) is made available by Optics directly or indirectly to NetCo (or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1, numbers 1 and/or 2, of the Italian Civil Code) on or following the Optics Notes Issue Date, pursuant to, among others, applicable corporate benefit restrictions under Italian law, the value of NetCo Guarantee and the corresponding liability of NetCo thereunder may be deemed nil. In this respect, see in particular "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations*."

Generally, claims of creditors, including depositors, trade creditors and preferred stockholders (if any) of the non-guarantor subsidiaries of Optics or NetCo, as applicable, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to their respective parent entity or the creditors of Optics or NetCo, as applicable. Accordingly, in the event that any subsidiary of Optics or NetCo, as applicable,

becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of Optics or NetCo, as applicable, including the holders of the Optics Notes, will have no right to proceed against the assets of such subsidiary; and
- creditors of such subsidiary, including depositors, trade creditors and preferred stockholders (if any) will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Optics Notes, as applicable, as a direct or indirect shareholder (as applicable), will be entitled to receive any distributions from such subsidiary.

As such, the Optics Notes and NetCo Guarantee will be structurally subordinated to the creditors, including depositors, trade creditors and any preferred stockholders (if any) of the non-guarantor subsidiaries of Optics. The Optics' subsidiaries that do not guarantee the Optics Notes will have no obligation, contingent or otherwise, to pay amounts due under the Optics Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or otherwise. As such, the claims of creditors of Optics' subsidiaries (other than NetCo), including trade creditors and claims of preference shareholders (if any), will have priority with respect to the assets and earnings of the subsidiary over the claims of the creditors of Optics, including claims by the holders of the Optics Notes.

In addition, the EUR Optics Notes Trust Deed will permit Optics, NetCo and any future subsidiaries to incur substantial unlimited indebtedness without such incurrence constituting a default under the Optics Notes Trust Deed, and such indebtedness may also be secured in certain circumstances.

Finally, pursuant to the EUR Optics Notes Trust Deed, under a variety of circumstances, the guarantees granted under the Optics Notes will be released automatically without your consent or the Optics Notes Trustee obtaining your further consent, including, by way of example, in the event that such guarantor is unconditionally released and discharged from its liability with respect to the Senior Facilities Agreement.Moreover, any future Guarantees would be subject to the significant limitations described under "Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations" and, accordingly, the Optics Notes would be structurally subordinated to the liabilities of any guarantors to the extent that such liabilities exceed the principal amount of Optics Notes that can be guaranteed or secured by such guarantors.

Corporate benefit, financial assistance laws, capital maintenance and other limitations on the guarantee may adversely affect the validity and enforceability of the NetCo Guarantee.

Each of Optics, Optics HoldCo and NetCo is incorporated and organized under the laws of Italy. Enforcement of the obligations under a guarantee against, and/or any Optics Notes Collateral provided by, as applicable, any such entity will be subject to certain available defenses. These laws and defenses may include those that relate to fraudulent conveyance or transfer, laws, rules and principles concerning financial assistance, corporate benefit, capital maintenance, preservation of share capital, liquidity maintenance, voidable preferences, thin capitalization or similar laws as well as regulations or defenses affecting the rights of creditors generally, by limiting the amounts recoverable under the relevant guarantee, including NetCo Guarantee, or Optics Notes Collateral and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by the guarantor, including NetCo, or the relevant security provider under the applicable laws of each jurisdiction, to the extent that the granting of such guarantee or Optics Notes Collateral is not in the guarantor's or relevant security provider's corporate interests, or the burden of such guarantee or Optics Notes Collateral exceeds the benefit to the guarantor or relevant security provider, or such guarantee or Optics Notes Collateral would be in breach of laws, rules and principles on capital maintenance, financial assistance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such subsidiary guarantor or security provider to contravene their fiduciary duties and incur civil or criminal liability. An increase in the amount of debt that benefits from the guarantee without a corresponding increase in the amount of the guarantee will dilute the value of the guarantee to its beneficiaries, including the holders of the Optics Notes.

Specifically, as a result of the applicable limitations under Italian law with respect to, among others, corporate benefit, notwithstanding anything to the contrary provided in the EUR Optics Notes Trust Deed, as regards to NetCo, any Guarantee granted by NetCo will only guarantee Optics' obligations under the Optics Notes up to an amount not

exceeding an amount equal to the aggregate principal amount of any Funding Loan made available to NetCo (or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1, numbers 1 and/or 2, of the Italian Civil Code) or other financial support (other than equity contributions) made available by Optics directly or indirectly to NetCo (or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1, numbers 1 and/or 2, of the Italian Civil Code) on or following the Optics Notes Issue Date, as outstanding at the time of the enforcement of the NetCo Guarantee, in each case net of any proceeds already paid by it pursuant to the enforcement of its guarantee under the Optics Notes and/or received upon the enforcement of any security interests granted by it; *provided further* that NetCo shall not be liable as a Guarantor in respect of any amounts in excess of the amount that it is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by it under its NetCo Guarantee. As a result, if at the time of the enforcement of the Guarantee, no amounts have been lent to NetCo under the Funding Loan or other financial support (other than equity contributions) made available by Optics directly or indirectly to NetCo on or following the Optics Notes Issue Date, and is outstanding at the time of the enforcement of the Guarantee, NetCo's liability under its NetCo Guarantee may be deemed nil.

Accordingly, enforcement of the guarantee against the guarantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the guarantee designed to ensure compliance with statutory requirements applicable to the guarantor. As a result, the guarantor's liability under its guarantee could be materially reduced or eliminated, depending upon the law applicable to it.

It is possible that the guarantor or creditor of the guarantor, or the bankruptcy trustee in the case of a bankruptcy of the guarantor, may contest the validity and enforceability of the guarantor's guarantee on any of the above grounds and the applicable court may determine that the guarantee should be limited or voided. To the extent that agreed limitations on the guarantee obligation apply, the Optics Notes would to that extent be structurally subordinated to all liabilities of the guarantor, including trade payables of the guarantor. Any future Guarantees required to be granted under the EUR Optics Notes Trust Deed may be subject to similar limitations. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations.*"

Certain of the Optics Notes Collateral will not secure the Optics Notes, and NetCo will not guarantee the Optics Notes, potentially until 60 days after the Acquisition Closing Date, if the Push-Down Merger has not yet occurred. Following the Push-Down Merger, the Optics Notes will not be guaranteed.

The NetCo Guarantee and the Optics Notes Post-Issue Collateral will be granted, subject to certain agreed security principles, certain perfection requirements and certain material limitations pursuant to applicable laws, within 60 days of the Acquisition Closing Date if the Push-Down Merger has not occurred, as further described under "*Terms and Conditions of the EUR Optics (TIF) Notes — Status of Notes, Guarantee and Security—Security.*" Upon completion of the Push-Down Merger, NetCo will no longer be a separate legal entity and security interests over Optics' receivables from material loans granted to NetCo will automatically cease to exist and, to the extent that NetCo is the successor company of the Push-Down Merger, the security interests over the share capital of Optics held by Optics HoldCo will be extinguished by operation of law and the EUR Optics Notes will instead be secured by the pledge on the shares of NetCo held by Optics HoldCo as entity resulting from the Push-Down Merger and intercompany loans made available by Optics HoldCo to Optics as substituted by NetCo. In the event that the Push-Down Merger cannot be effected with the security interest over the shares in NetCo held by Optics and/or the intercompany loans made available by Optics HoldCo to Optics remaining in place, such security interests shall be released in order to effect the Push-Down Merger and Optics HoldCo shall, within 20 Business Days following the Push-Down Merger, enter into replacement security. There can be no assurance, however, that Optics will be successful in procuring such liens within the time periods specified. Once granted, the security interests will be limited to the same extent as those under the terms of the Optics Financing Arrangements and otherwise as set forth under "*—Once granted, the guarantees, including the NetCo Guarantee, and the Optics Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Terms and Conditions of the EUR Optics (TIF) Notes — Status of Notes, Guarantee and Security—Security*", which limitations could be significant. See also "*Corporate benefit, financial assistance laws, capital maintenance and other limitations on the guarantee may adversely affect the validity and enforceability of the NetCo Guarantee*." It should be noted that if a guarantee or a security interest granted by a guarantor in certain jurisdictions is granted or perfected after the secured obligation arose, such guarantee or security interest may be subject to clawback provisions

under applicable local insolvency laws. See "*—Once granted, the guarantees, including the NetCo Guarantee, and the Optics Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*."

On the Optics Notes Issue Date, the Optics Notes will only be obligations of Optics and will not be guaranteed by NetCo or any of their subsidiaries. Subject to certain agreed security principles and certain significant limitations under Italian law, NetCo is expected to guarantee the Optics Notes. There can be no assurance that Optics will be successful in procuring such NetCo Guarantee. The NetCo Guarantee provides the holders of the Optics Notes with a direct claim against NetCo. However, the obligations of NetCo of the Optics Notes under NetCo Guarantee will be limited under the EUR Optics Notes Trust Deed to an amount which has been determined so as to ensure that amounts payable will not result in violations of applicable laws or otherwise cause a guarantor of the Optics Notes to be deemed insolvent under applicable law or such NetCo Guarantee to be deemed void, unenforceable or ultra vires, or cause the directors of such guarantor to be held in breach of applicable corporate or commercial law for providing the NetCo Guarantee. As a result, a guarantor's liability under its NetCo Guarantee could be materially reduced or eliminated depending upon the amount of its obligations and upon applicable laws. The NetCo Guarantee will be limited as set forth in "*—Once granted, the guarantees, including the NetCo Guarantee, and the Optics Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*."

Once granted, the guarantees, including the NetCo Guarantee, and the Optics Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.

Subject to the operation of certain agreed security principles, and certain significant limitations under applicable laws, once granted, the guarantees, including the NetCo Guarantee, will provide the holders of the Optics Notes with a direct claim against the relevant guarantor, including NetCo under the NetCo Guarantee. The obligations of a guarantor, the enforcement of any guarantee and the obligations of the grantor of security and the ability of the Optics Notes Security Agent to enforce on the security interests will be limited under the EUR Optics Notes Trust Deed to the maximum amount that can be guaranteed by the guarantor or provided by the grantor of security under the applicable laws, including the laws of Italy, which has been determined so as to ensure that amounts payable will not result in violations of laws, rules and principles related to, among others, corporate benefit, capitalization, capital preservation, financial assistance or transactions under value, or otherwise cause the guarantor to be deemed insolvent under applicable law or such guarantee to be deemed void, unenforceable or *ultra vires*, or cause the directors of NetCo to be held in breach of applicable corporate or commercial law for providing such guarantee.

In particular, enforcement of a guarantee or collateral against the relevant guarantor or the relevant security grantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the guarantee or pledges of security designed to ensure compliance with statutory requirements applicable to the guarantor or relevant security grantors. These laws and defenses include those that relate to fraudulent conveyances or transfers, insolvency, voidable preferences, rules and principles concerning financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization, capital maintenance or similar laws and regulation or defenses affecting the rights of creditors generally. As a result, the liability of the guarantor under its guarantee or of a grantor of security could be materially reduced or eliminated, depending on the amounts of its other obligations and the law applicable to it.

In addition, the obligations of a guarantor and/or security provider that becomes a guarantor and/or a security provider will be subject to certain agreed security principles and material limitations pursuant to applicable laws and will be subject to the additional limitations set forth in the relevant deed of guarantee and/or in the applicable security documents, in order for NetCo to comply with the above corporate law requirements, rules and principles on, among others, corporate benefit and financial assistance.

As a result of the applicable limitations under Italian law with respect to, amongst others, financial assistance (namely Article 2358 (*Altre operazioni sulle proprie azioni*) and Article 2474 (*Operazioni sulle proprie partecipazioni*) of the Italian Civil Code, as the case may be) and corporate benefit, notwithstanding anything to the contrary provided in the EUR Optics Notes Trust Deed, Optics Financing Arrangements and the Intercreditor Agreement:

(i) the NetCo Guarantee and security interests granted by NetCo in respect of the Optics Notes shall not exceed at any time (and in aggregate) an amount equal to the principal amount of any Funding Loan granted to it or other financial support (other than equity contributions) made available by Optics directly or indirectly to NetCo (or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1, numbers 1 and/or 2, of the Italian Civil Code) on or following the Optics Notes Issue Date, as outstanding at the time of the enforcement of the NetCo Guarantee and/or the relevant security interest, in each case net of any proceeds already paid by it pursuant to the enforcement of its guarantee under the Optics Notes and/or received upon the enforcement of any security interests granted by it; *provided further* that NetCo shall not be liable as a Guarantor in respect of any amounts in excess of the amount that it is entitled to set-off against its claims of recourse or subrogation (*regresso or surrogazione*) arising as a result of any payment made by it under its NetCo Guarantee, *provided further* that, in any event and notwithstanding any other provisions to the contrary under the Indenture, in order to comply with the provisions of Italian law in relation to financial assistance (including Article 2358 (*Altre operazioni sulle proprie azioni*) and/or Article 2474 (*Operazioni sulle proprie partecipazioni*) of the Italian Civil Code, as the case may be) NetCo shall not be liable under the NetCo Guarantee (or in connection with the security interests granted by NetCo in respect of the Optics Notes) in respect of any aggregate principal amount of the EUR Optics Notes whose actual purpose is, or whose proceeds are applied towards, in each case directly or indirectly, the financing or re-financing of (i) the acquisition of, or the subscription for, any shares or quota in NetCo (and/or its direct or indirect holding companies); and/or (ii) the payment of any interest, fees, costs and expenses, stamp, registration or other taxes in connection therewith; and/or (iii) any existing indebtedness incurred or utilized for the purposes of paragraph (i) and (ii) above. Should the NetCo Guarantee granted by be deemed by a court or public authority to be contrary to any provisions regulating financial assistance, including Article 2358 (*Altre operazioni sulle proprie azioni*) and/or Article 2474 *(Operazioni sulle proprie partecipazioni*) of the Italian Civil Code, as the case may be, the NetCo Guarantee could be declared null and void;

(ii) the maximum amount guaranteed and/or secured by NetCo, also in accordance with Article 1938 of the Italian Civil Code (where applicable), will not exceed 150% of the outstanding principal amount of the Notes;

(iii) the aggregate amount of interest in respect of the Optics Notes guaranteed and/or secured by NetCo will be at any time equal to the interest then outstanding in respect of a principal amount of the Optics Notes equal to the principal amount of the Optics Notes guaranteed and/or secured by it at that time; and

(iv) notwithstanding any provision to the contrary in the EUR Optics Notes Trust Deed, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and Article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including Article 1283 of the Italian Civil Code and Article 120 of the Italian Legislative Decree No. 385 of September 1, 1993), the obligations of NetCo under the NetCo Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by Article 1283 of the Italian Civil Code and/or Article 120 of the Italian Legislative Decree No. 385 of September 1, 1993, respectively. In any case, the maximum amount that NetCo may be required to pay in respect of its obligations as guarantor under the EUR Optics Notes Trust Deed and/or security grantor under the relevant security documents upon enforcement of the security interests granted by NetCo will ratably concur and not cumulate with the corresponding amounts due by NetCo to any guaranteed and/or secured creditor pursuant to terms of the Optics Financing Arrangements and/or the Intercreditor Agreement (including any guaranteed and/or secured creditors with respect to any further *pari passu* indebtedness contemplated under the Intercreditor Agreement) and/or any security documents, and vice versa. For the avoidance of doubt, by virtue of the abovementioned limitations applicable to the NetCo Guarantee and the security interests granted by NetCo, the obligations of NetCo as guarantor and/or security provider under the Optics Notes, the EUR Optics Notes Trust Deed, the terms of Optics Financing Arrangements, the Intercreditor Agreement and any agreement regulating future *pari passu* indebtedness contemplated under the Intercreditor Agreement, the security documents relating to the Optics Notes Collateral and any other transaction documents related thereto shall not be deemed to be cumulative and shall be considered without duplication, and the transaction documents will provide that the aggregate amount of the proceeds deriving from any enforcement of any such guarantee and/ or security obligations of NetCo shall not exceed on an aggregate basis the limit of NetCo's credit support as described above.

In addition to the above, under article 1938 of the Italian Civil Code, if a corporate guarantee is issued by a guarantor incorporated under the laws of Italy to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the EUR Optics Notes Trust Deed). It has been held that such determination must be proportionate to NetCo's assets. If such determination is deemed disproportionate to the assets of NetCo, there is a risk that the guarantee could be declared void.

The proceeds of the enforcement of said guarantees and/or security interests will be distributed amongst the guaranteed and/or secured creditors (including, without, limitation, the holders of the Optics Notes) in accordance with the provisions of the Intercreditor Agreement. Accordingly, the holders of the Optics Notes will be able to recover limited amounts under the relevant notes guarantee and security. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations.*"

The pledge over NetCo's shares may not cover the entire share capital of NetCo.

Fastweb currently owns a 4.5% stake in FiberCop. Subject to the outcome of current negotiations among the parties, Optics may acquire Fastweb's stake in NetCo or Fastweb may remain a minority shareholder in NetCo following with the Acquisition. If Fastweb continues to be a shareholder of NetCo following the Acquisition, the minority stake of Fastweb is expected to be diluted in connection with the consummation of the Acquisition. To the extent Fastweb remains a shareholder in NetCo following the Transactions, it is not expected to pledge the stake it owns in NetCo, including after the occurrence of the Push-Down Merger. Accordingly, the Optics Notes Post-Issue Date Collateral may only include an amount equal to 95.5% (or such higher percentage held in NetCo from time to time) of NetCo's share capital and an enforcement over the shares of NetCo will not provide full control over NetCo.

Moreover, as of the date of this Exchange Offer Memorandum, the bylaws of Fibercop provide for certain transfer restrictions in favor of minorities which would, in turn, also apply to any share pledge over its shares as well as any enforcement thereunder. In particular, the pledge over NetCo's shares may trigger tag-along rights in favor of Fastweb and the enforcement of such share pledge may be subject to any lock-ups relating to NetCo shares pursuant to any shareholder arrangements. Optics will be required to remove these restrictions pursuant to the Optics Financing arrangements upon completion of the Acquisition and, should Fastweb not provide its consent to such removal, this may trigger Fastweb's applicable withdrawal rights under Italian law.

Moreover, prior to the Push-Down Merger, if Fastweb remains in the shareholding of NetCo, any dividends that will be paid by NetCo (whether for the purposes of servicing indebtedness of Optics, including the Optics Notes, or otherwise) will also be paid to Fastweb in accordance with the organizational documents and laws applicable from time to time. Moreover, to the extent that there is no Funding Loan to be repaid by NetCo or the Funding Loan is insufficient to facilitate the servicing of indebtedness of Optics, prior to the consummation of the Push Down Merger, it is expected that NetCo would need to service such debt of Optics, at least in part, by way of dividend payments.

Other limitations pursuant to bankruptcy or insolvency laws apply to the guarantees.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a guarantor's obligations under its guarantee, (ii) direct that the holders of the Optics Notes return any amounts paid under a guarantee to the relevant guarantors or to a fund for the benefit of that guarantors' creditors or (iii) take other action that is detrimental to the holders of the Optics Notes, typically if the court found that:

- the relevant guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant guarantors or, in certain jurisdictions, when the granting of the relevant guarantee has the effect of giving a creditor a preference or the creditor was aware that the relevant guarantors was insolvent when the relevant guarantee was given;

- the relevant guarantors did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant guarantee or the relevant Guarantors was: (i) insolvent or rendered insolvent because of the relevant guarantee; (ii) undercapitalized or became undercapitalized because of the relevant guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant guarantee was held to exceed the corporate objects of the relevant guarantors or not to be in the best interests or for the corporate benefit of the relevant guarantors; or
- the amount paid or payable under the relevant guarantee was in excess of the maximum amount permitted under applicable law.

It is possible that a guarantor or a grantor of security, or a creditor of a guarantor or a grantor of security, or the bankruptcy or insolvency trustee in the case of insolvency of a guarantor or a grantor of security, may contest the validity and enforceability of the guarantors' guarantees or grantor's creation of security on any of the aforementioned grounds and that the applicable court may determine that the guarantees or the relevant security interest should be limited or voided. In the event that any guarantee or security interest is invalid or unenforceable, in whole or in part, or to the extent such limitations on the guarantees or security obligation apply, the Notes would be effectively subordinated to all liabilities of the applicable guarantors or grantor, including trade payables of such Guarantors or grantor to the extent of such limitations. Future pledges or guarantees may be subject to similar limitations.

Additionally, the grant of Optics Notes Collateral to secure the Optics Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may otherwise be set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified "claw back" period following the grant. To the extent that the grant of any security interest is voided, holders of the Optics Notes would lose the benefit of the relevant security interest.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect to the claims of other creditors, even if such claims are secured claims. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations*."

Holders of the Optics Notes may not control certain decisions regarding the Optics Notes Collateral.

The Intercreditor Agreement provides that the Optics Notes Security Agent will only enforce the Optics Notes Collateral as provided for in the Intercreditor Agreement, and the EUR Optics Notes Trust Deed regulates the ability of the Optics Notes Trustee or the holders of the Optics Notes to instruct the Optics Notes Security Agent to take enforcement action.

The Optics Notes Security Agent is not required to take enforcement action unless instructed to do so in accordance with the provisions described in "*Description of Certain Financing Arrangements of the Optics Group—Intercreditor Agreement*."

The Optics Notes Security Agent may also refrain from acting in accordance with any instructions until it has been indemnified and/or secured that it may in its discretion require for any cost, loss or liability which it may incur in complying with those instructions.

If the Optics Notes Security Agent sells Optics Notes Collateral consisting of the shares of any of Optics' subsidiaries as a result of an enforcement action or other distressed disposal in accordance with the Intercreditor Agreement, claims under the Guarantees and the liens over any other assets of such entities securing the Optics Notes and the Optics Guarantees may be released. See "*Description of Certain Financing Arrangements of the Optics Group—Intercreditor Agreement*."

Delays in enforcement could decrease or eliminate recovery values. In addition, the holders of the Optics Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents, except through the Optics Notes Security Agent as provided in the Intercreditor Agreement. By accepting the Optics Notes, the holders of the Optics Notes will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Optics Notes will have limited remedies and recourse against Optics and the guarantors of the Optics Notes in the event of a default. See "*Description of Certain Financing Arrangements of the Optics Group—Intercreditor Agreement*."

The Optics Notes will be secured only to the extent of the value of the Optics Notes Collateral that has been granted as security for the Optics Notes and other secured indebtedness may be secured by assets that do not secure the Notes.

The Optics Notes will be secured only to the extent of the value of the relevant Optics Notes Collateral. See "*The Terms and Conditions of the EUR Optics (TIF) Notes—Status of Notes, Guarantee and Security—Security.*" Not all of Optics' and its subsidiaries' assets will secure the Optics Notes, and the EUR Optics Notes Trust Deed allows Optics and its restricted subsidiaries to secure certain future indebtedness permitted to be incurred with certain property and assets that do not secure the Optics Notes. If an event of default occurs and the obligations under the Optics Notes are accelerated, the Optics notes and the guarantees thereof will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of Optics and its restricted subsidiaries with respect to any property or assets excluded from the Optics Notes Collateral securing the Optics Notes. The claims of secured creditors that are secured by assets that do not also secure the Optics Notes will have priority with respect to such assets over the claims of holders of the Optics Notes. As such, the claims of the holders of the Optics Notes will be effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness.

While the EUR Optics Notes Trust Deed create certain obligations to provide additional guarantees and grant additional security over assets, or a particular class of assets, whether as a result of granting liens in favor of other indebtedness or the acquisition or creation of future assets or subsidiaries or otherwise, such obligations are subject to certain exceptions and qualifications pursuant to certain agreed security principles. Such agreed security principles set out a number of limitations on the rights of the holders of the Optics Notes to be granted security or guarantees in certain circumstances. The operation of such agreed security principles may result in, among other things, the amount recoverable under any Optics Notes Collateral provided being limited or security not being granted over a particular type or class of assets. Pursuant to such agreed security principles, the Optics Notes Collateral will be limited to security in the Optics Notes Issue Date Collateral (including any Optics Notes Replacement Collateral, if any), the Optics Notes Post-Issue Collateral and security over the shares of Optics, NetCo and any company that is otherwise required to become a guarantor (and any other future guarantors) and any member of the Optics Group which has earnings before interest, tax, depreciation and amortization (calculated on an unconsolidated basis and subject to certain adjustments) representing more than 5% of the Consolidated EBITDA (as defined in the finance documents relating to Optics Financing Arrangements) of the Optics Group, and certain material intercompany receivables owed to Optics (or, after the Push-Down Merger, Optics HoldCo) by NetCo. Accordingly, such agreed security principles may affect the value of the security or guarantees provided by Optics, HoldCo and any guarantors.

In particular, even though the Optics Notes and the Optics Financing Arrangements are expected to share security interests and Guarantors' package, this may not be the case and circumstances may arise in the future in which additional security or guarantees may be granted for the benefit of creditors under the Optics Financing Arrangements which are not otherwise permitted to be granted in favor of holders of the Optics Notes due to the application of certain agreed security principles and, ultimately, applicable financial assistance and corporate benefit rules. Accordingly, in such circumstances, holders of the Optics Notes would have no and/or limited direct claim for payment against any such additional guarantor nor any and/or limited rights as a secured party with respect to any such additional collateral.

Creditors under certain future indebtedness permitted to be incurred under the terms of the EUR Optics Notes Trust Deed and the Intercreditor Agreement will be entitled to be repaid with recoveries from the proceeds from the enforcement of the Optics Notes Collateral in priority over the Optics Notes.

The Intercreditor Agreement includes provisions governing the sharing of proceeds from enforcement of the Optics Notes Collateral. Such enforcement proceeds are required to be turned over to the Optics Notes Security Agent after certain events, including the acceleration of the Optics Notes. The Optics Notes Security Agent is required to apply turned over amounts and other recoveries by the Optics Notes Security Agent from enforcement actions towards discharging the super senior obligations (including, among others, (following the designation of any such document as a super senior liability in accordance with the terms of the Intercreditor Agreement) those under such document and future indebtedness that may be secured on a super senior basis (the "**Super Senior Liabilities**")) in priority to applying any such amounts towards discharging the Optics Notes. As such, in the event of a foreclosure of the Optics Notes Collateral, you may not benefit from such recoveries if the then outstanding claims under such Super Senior Liabilities are greater than the proceeds recovered. Any proceeds remaining from an enforcement sale of Optics Notes

Collateral will, after all obligations under such Super Senior Liabilities have been discharged, be applied pro rata in repayment of the Optics Notes, and any other indebtedness that ranks *pari passu* with the Optics Notes. See "*Description of Other Indebtedness and Financing Arrangements of the Optics Group—The Intercreditor Agreement*".

The enforcement of the share pledge, which forms part of the Optics Notes Collateral, will require clearance by the Italian Golden Power Authority under the Italian Golden Power Legislation.

The Transactions and the granting of the share pledges, which form part of the Optics Notes Collateral, were authorized by the Italian Golden Power Authority on January 16, 2024. However, the Italian Golden Power Authority designated certain of the TIM Group's assets and activities that, upon the successful completion of the Transactions, will be owned and operated by NetCo as, respectively, strategic for the defense and national security sector and strategic for the communications sector, and imposed various restrictions and undertakings. See "*Risks Related to NetCo – Risks related to NetCo's Legislative and Legal Framework—The Italian Golden Power Authority has in the past exercised its significant powers under the Italian Golden Power Legislation with respect to NetCo, and may in the future exercise again the said significant powers, including with respect to strategic transactions to be entered into by NetCo.*"

Optics (in its capacity as shareholder of NetCo) and NetCo will remain subject to the Italian Golden Power Legislation, pursuant to which the Italian Golden Power Authority may, among others, prohibit or impose restrictions and undertakings on (i) the acquisition of certain shareholdings in companies having assets and relationships in sectors qualified as strategic, such as, among others, defense and national security, energy, transport, communications, financial, healthcare, agri-food, critical technologies and personal data processing (the "Strategic Companies"), and (ii) resolutions, acts or transactions concerning a Strategic Company and resulting in a change in ownership, control, possession or intended use or purpose of such strategic assets or relationships, including the enforcement and, according to a prudential interpretation, the granting or extension of securities over the shares of Strategic Companies or the strategic assets. In light of the above, the enforcement of the share pledges, which form part of the Optics Notes Collateral, will require clearance by the Italian Golden Power Authority under the Italian Golden Power Legislation as it may fall within the scope of application of the transactions indicated under (i) and (ii) above.

The Optics Notes Collateral is limited to certain specific assets, the value of the Optics Notes Collateral securing the Optics Notes may not be sufficient to satisfy Optics' obligations under the Optics Notes and such Optics Notes Collateral may be reduced or diluted under certain circumstances.

If Optics defaults on the Optics Notes, holders of the Optics Notes will be secured only to the extent of the value of the assets underlying the security interests granted in favor of holders of the Optics Notes. In the event of an enforcement of the security interests in respect of the Optics Notes Collateral, the proceeds from the sale of the assets underlying the Optics Notes Collateral may not be sufficient to satisfy Optics' obligations with respect to the Optics Notes. As described elsewhere, the extent of the Optics Notes Collateral is limited. In accordance with certain agreed security principles, guarantee and/or security shall only be granted by certain entities. See "*The Terms and Conditions of the EUR Optics (TIF) Notes—Status of Notes, Guarantee and Security—Security*."

No appraisal of the value of the Optics Notes Collateral has been made in connection with the Exchange Offer. The value of the assets underlying the pledges and the amount to be received upon a sale of the Optics Notes Collateral will also depend on many factors, including, among other things, whether or not the business is sold as a going concern, regulatory restrictions that could affect such sale, the ability to sell the assets in an orderly sale and the condition of the economies in which operations are located and the availability of buyers.

The shares and other Optics Notes Collateral that is pledged or assigned for the benefit of the holders of the Optics Notes may provide for only limited repayment of the Optics Notes, in part because most of the Optics Notes Collateral may not be liquid and its value to other parties may be less than its value to the Optics Group. Likewise, there can be no assurance that the Optics Notes Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. In the event of foreclosure, the transfer of the Optics Group's business operations may be prohibited or only permitted to a limited group of investors eligible to hold such assets, thereby decreasing the pool of potential buyers. Furthermore, entry into the Security Documents, enforcement of the Optics Notes Collateral and any direct or indirect transfer of the Optics Group's operations may require, in certain jurisdictions, governmental or

other regulatory consents, approvals or filings similar to (or different from) those that has been required to be obtained in relation to the Transactions, or might otherwise be challenged. Such consents, approvals or filings may take time to obtain or may not be obtained at all. As a result, enforcement may be delayed, a temporary shutdown of operations may occur and the value of the Optics Notes Collateral may be significantly decreased. Most of the Optics Group's assets will not secure the Optics Notes and it is possible that the value of the Optics Notes Collateral will not be sufficient to cover the amount of indebtedness secured by such Optics Notes Collateral. With respect to any shares of Optics' subsidiaries pledged to secure the Optics Notes, such shares may also have limited value in the event of bankruptcy, insolvency or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity.

As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, the value of this Optics Notes Collateral may decline over time. If the proceeds of the Optics Notes Collateral are not sufficient to repay all amounts due on the Optics Notes, the holders of the Optics Notes (to the extent not repaid from the proceeds of the sale of the Optics Notes Collateral) would have only a senior unsecured, unsubordinated claim against the Issuer's and any Guarantors' remaining assets.

The EUR Optics Notes Trust Deed only limits liens granted in connection with Capital Markets Indebtedness (as defined under "*Terms and Conditions of the EUR Optics (TIF) Notes—Covenants—Restrictions on Security Interests*") and will also permit the granting of certain liens other than those in favor of the holders of the Optics Notes on the Optics Notes Collateral. To the extent that holders of other secured indebtedness or third parties are secured by liens, including statutory liens, whether or not permitted by the EUR Optics Notes Trust Deed or the Security Documents, such holders or third parties may have rights and remedies with respect to such assets which, if exercised, could reduce the proceeds available to satisfy Optics' obligations under the Optics Notes. Moreover, if Optics issues additional notes under the EUR Optics Notes Trust Deed, holders of such Notes would benefit from the same Optics Notes Collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Optics Notes Collateral.

In addition, as described above, the value of the Guarantees and the Optics Notes Collateral that will be granted by the Guarantors will be limited further as described under "*—Once granted, the guarantees, including the NetCo Guarantee, and the Optics Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations*."

The Optics Notes Collateral, the NetCo Guarantee and any other future guarantees or security which may be granted under the EUR Optics Notes Trust Deed, will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted by the EUR Optics Notes Trust Deed and the Intercreditor Agreement.

The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Optics Notes Collateral and the guarantees, as well as the ability of the Optics Notes Security Agent to realize or foreclose on such Optics Notes Collateral and the guarantees. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under applicable law. The granting of the guarantees and security interests in connection with the issuance of the Optics Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.

The granting of the NetCo Guarantee (and any other future guarantees which may be granted under the EUR Optics Notes Trust Deed) and security interests to secure the Optics Notes and the Optics Financing Arrangements may create hardening, claw back or voidance periods for such Guarantees and security interests in certain jurisdictions, including Italy. The granting of shared security interests (including security interests in the Optics Notes Collateral), including in connection with any release and retake of such security interest, to secure existing, new or future indebtedness (such as hedging obligations or any additional notes issued under the EUR Optics Notes Trust Deed) or the transfer or the assignment of the security interest may restart or reopen hardening or claw back periods in certain jurisdictions, including Italy. The applicable hardening, claw back or voidance period for these new security interests can run from

the moment each new security interest has been granted, perfected, amended, shared or recreated (as applicable). At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void, ineffective, clawed back and/or it may not be possible to enforce it. Under Italian law, in case any security interests (including security interests in the Optics Notes Collateral) is released and retaken at any time, such release and retaking of security interests may give rise to the start of a new hardening period in respect of such security interests. Under certain circumstances, other creditors, bankruptcy trustees, insolvency administrators or courts could challenge the validity and enforceability of the grant of such security interests. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations*."

The EUR Optics Notes Trust Deed will provide that the Optics Notes Collateral securing the Optics Notes may be released and retaken in several circumstances, including in connection certain mergers and other similar events. In Italy, for example, such a release and retaking of Optics Notes Collateral may give rise to new hardening periods in respect of the relevant security interests in the Optics Notes Collateral that are granted, perfected or released and retaken, and the security interests in the relevant Optics Notes Collateral would be subject to the same risks described in the preceding paragraph.

Similar considerations also apply in connection with the accession of further subsidiaries as additional guarantors of the Optics Notes and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Optics Notes, as applicable.

The Optics Notes Collateral will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under certain agreed security principles, applicable laws, the EUR Optics Notes Trust Deed and the Intercreditor Agreement. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Optics Notes Collateral, as well as the ability of the Optics Notes Security Agent to realize or foreclose on such Optics Notes Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under applicable law. The Optics Notes Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. The Optics Notes Security Agent may also need to obtain the consent of a third party to enforce a security interest. The Optics Notes Security Agent may not be able to obtain any such consents. Accordingly, the Optics Notes Security Agent may not have the ability to foreclose upon those assets, and the value of the Optics Notes Collateral may significantly decrease.

The recovery from the enforcement of the share pledges forming part of the Optics Notes Collateral may be complicated, involve long recovery times and a low recovery rate and may require prior approval by certain regulatory bodies.

In connection with the enforcement of share pledges over shares of entities with outstanding debt obligations, any sale of such entities is likely to involve a release of some or all of the debt of such entity, which could result in a taxable capital gain to such entities. As the Optics Notes will be issued by Optics, an enforcement over the shares of Optics would involve the enforcement over the share pledge of an entity with outstanding debt claims. In addition, the EUR Optics Notes Trust Deed does not prohibit Optics from incurring additional debt claims in the future. Consequently, the enforcement of the share pledge over the Optics' shares may result in the release of the Optics' debt obligations, which could result in a taxable capital gain. This taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of such share pledge. Therefore, the value of the pledge over the shares of the Optics may be limited. In addition, the Optics Notes Collateral includes, *inter alia*, a security interest over the shares of each of Optics, NetCo and, after the Push-Down Merger, NetCo. To the extent the enforcement of this security interest would result in an acquisition of a reportable holding in Optics, NetCo and, after the Push-Down Merger, NetCo, or any strategic asset pursuant to the Italian Golden Power Legislation held by Optics and, after the Push-Down Merger, NetCo, any such enforcement would require clearance by the Italian Government, pursuant to the Italian Golden Power Legislation. Accordingly, the Optics Notes Security Agent may not have the ability to enforce its security and the value of the security interests may significantly decrease.

The security interests in the Optics Notes Collateral will be granted to the Optics Notes Security Agent rather than directly to the holders of the Notes. The ability of the Optics Notes Security Agent to enforce the Optics Notes Collateral may be restricted by local law.

The security interests in the Optics Notes Collateral that will secure the obligations of Optics under the Optics Notes will not be granted directly to the holders of the Optics Notes but to the Optics Notes Security Agent pursuant to the Conditions of the EUR Optics Notes or the USD Optics Notes Indenture (as applicable) and the Intercreditor Agreement for the benefit of all holders of, respectively, the EUR Optics Notes and/or the USD Optics Notes, and thus the holders of the Optics Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents except through the Optics Notes Security Agent as provided in the Intercreditor Agreement and the Optics Notes Trustee under the EUR Optics Notes Trust Deed, who will (subject to the provisions of the EUR Optics Notes Trust Deed) provide instructions to the Optics Notes Security Agent accordingly. By accepting an Optics Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Optics Notes will have limited remedies and recourse against Optics in the event of a default. In addition, the Intercreditor Agreement and the documents that will create the security obligations under the Optics Notes place limitations on the ability of the Optics Notes Security Agent to cause the sale of some of the Optics Notes Collateral. These limitations may include requirements that some or all of the Optics Notes Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Certain Other Financing Arrangements of the Optics Group—Intercreditor Agreement*".

In addition, the ability of the Optics Notes Security Agent to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Optics Notes Collateral are taken, including Italian law, as applicable. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Optics Notes that are not identified as registered holders in, nor are directly parties to, a security document will be validly secured and/or can be enforced; this area of law is untested in the courts of certain jurisdictions (including Italy). In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests and the enforceability of such security interests, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the relevant Optics Notes Security Agent ("**Parallel Debt**") mirroring the obligations of Optics and any guarantors owed to holders of the Optics Notes under or in connection with the EUR Optics Notes Trust Deed, as applicable ("**Principal Obligations**"), but in jurisdictions such as Italy, these Parallel Debt provisions would not be applicable taking into account that Italian case law has not ruled for its application. All or part of the pledges and other security interests in such jurisdictions will be granted to the Optics Notes Security Agent as security interests for the Parallel Debt and will not directly secure the Principal Obligations. Under parallel debt structures, the Parallel Debt will typically be at all times in the same amount and payable at the same time as the Principal Obligations and any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to secure the Parallel Debt, the holders of the Optics Notes will not have direct security interests and will not be entitled to take enforcement actions in respect of such security interests except through the Optics Notes Security Agent. Therefore, the holders of the Optics Notes will bear the risk of insolvency or bankruptcy of the Optics Notes Security Agent. In addition, the Parallel Debt construct in financing transactions, including credit facilities and bond issuances, has not been tested under law in certain of these jurisdictions, including under Italian law, and to the extent that the security interests in the Optics Notes Collateral created to secure the Parallel Debt construct are not validly granted, are unenforceable or are successfully challenged by other parties, holders of the Optics Notes will not receive any proceeds from an enforcement of such security interests in the Optics Notes Collateral. The enforcement of security interests of the Optics Notes will be subject to the procedures set forth in the Intercreditor Agreement or any additional Intercreditor Agreement (if any). See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations.*"

For example, in Italy the Optics Notes Collateral will not be granted directly to the holders of the Optics Notes but will be created and perfected in favor of the Optics Notes Security Agent, acting also in its capacity as representative (*rappresentante*) of the holder of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of an agent (*rappresentante*) of the holders of the Optics Notes

who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. Under the Intercreditor Agreement, the Optics Notes Security Agent (including in its role as representative (*rappresentante*) also for the purposes of Article 2414-bis, paragraph 3, of the Italian Civil Code) also acts on behalf of the lenders under the Senior Facilities Agreement; the trustee and the holders of the EUR Optics Notes under the trust deed governing such notes, the counterparties under certain hedging arrangements in relation to the security interests in favor of such parties. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantee by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf of the holders of the Optics Notes who are neither directly parties to the Optics Notes Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

Furthermore, under Italian law, in the event that Optics (or, after the Push-Down Merger, NetCo) enters into insolvency proceedings, the security interests created under the security documents entered into to secure the Optics' (or, after the Push-Down Merger, NetCo's) obligations under the Optics Notes could be subject to potential challenges by an insolvency administrator or by other creditors of Optics (or, after the Push-Down Merger, NetCo) or by operation of law under the rules of avoidance or claw back of Italian insolvency laws and the relevant law on the non-insolvency avoidance or claw back of transactions by the debtor made during a certain legally specified period (the "suspect period"). A longer period may apply to any Optics Notes Collateral governed by Italian law which may be granted after the Exchange Offer. Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect of the claims of other creditors, even if such claims are secured claims. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations*."

The enforcement of any Optics Notes Collateral located in Italy or governed by Italian law is subject to mandatory provisions of Italian law, including in relation to limitations and defenses or to limitations contained in the terms of the Security Documents designed to ensure compliance with applicable statutory requirements.

In case of insolvency of any guarantors, the enforcement of any Optics Notes Collateral provided by such guarantors may be subject to certain restrictions. For a more detailed description of various limitations on the security under Italian law, see "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations*."

Rights in the Optics Notes Collateral may be adversely affected by the failure to perfect security interests in the Optics Notes Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor of the security, as applicable. The liens on the Optics Notes Collateral securing the Optics Notes may not be perfected with respect to the claims of the Optics Notes if we, or the Optics Notes Security Agent, fail or are unable to take the actions necessary to perfect any of these liens. Any failure to perfect any security interest in the Optics Notes Collateral may result in the invalidity of the relevant security interest, the holder of the security interest having difficulty enforcing such holder's right in Optics Notes Collateral or adversely affect the priority of such security interest in favor of the Optics Notes against third parties, including a trustee in judicial liquidation and other creditors who claim a security interest in the same Optics Notes Collateral, which may have a material adverse effect on the ability of the holders of the Optics Notes to receive proceeds from any enforcement of the Optics Notes Collateral. The Optics Notes Trustee and the Optics Notes Security Agent will not be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

There are circumstances other than the repayment or discharge of the Optics Notes under which the Optics Notes Collateral securing the Optics Notes will be released automatically without your consent or the Optics Notes Trustee or the Optics Notes Security Agent obtaining your further consent.

Pursuant to the EUR Optics Notes Trust Deed, under a variety of circumstances, the Optics Notes Collateral securing the Optics Notes will be released automatically, including, by way of example, the obtainment of the investment grade rating from two rating agencies, certain mergers, a sale or other disposition of such Optics Notes Collateral under the EUR Optics Notes Trust Deed, as applicable, and in connection with an enforcement sale permitted under the

Intercreditor Agreement. Such sale or other disposition will reduce the aggregate value of the Optics Notes Collateral securing the Optics Notes to the extent of liens securing the collateral being sold or disposed of.

Decisions at Noteholders' meetings bind all Noteholders and Noteholders' meeting provisions may change by operation of law or because of changes in Optics' circumstances.

The EUR Optics Notes Trust Deed will contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including modifications to the terms and conditions relating to the EUR Optics Notes and the waiver of rights that might otherwise be exercisable against Optics.

For instance, the provisions of the EUR Optics Notes permit defined majorities, to bind all Noteholders of the relevant series of EUR Optics Notes, including the holders of EUR Optics Notes who did not attend and vote at the relevant meeting, and holders of the EUR Optics Notes who voted in a manner contrary to the relevant majority. In particular, under the EUR Optics Notes Trust Deed, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the EUR Optics Notes, to change the date on which any EUR Optics Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the EUR Optics Notes and/or to change the quorum requirements relating to meetings and/or to change the majority required to pass a resolution, and to change the amendment provisions. These and other changes may adversely impact rights of holders of EUR Optics Notes and may have a material adverse effect on the market value of the EUR Optics Notes.

Further, 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 prior to the maturity date of the EUR Optics Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of a majority representing at least one half of the aggregate principal amount of the outstanding EUR Optics Notes. Furthermore, the interaction between (i) the provisions set forth under the EUR Optics Notes Trust Deed with respect to meetings of holders of the EUR Optics Notes, the applicable majorities and the rights of each holder of the EUR Optics Notes to vote in the relevant meeting, and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies is also untested in the Italian courts.

Furthermore, certain Noteholders' meeting provisions could change as a result of amendments to the Optics' by-laws.

Accordingly, Noteholders should not assume that the provisions relating to Noteholders' meetings that will be contained in the EUR Optics Notes Trust Deed will be reflective of mandatory provisions of Italian law applicable to Noteholders' meetings at any future date during the life of the EUR Optics Notes.

There can be no assurance that the trading of the EUR Optics Notes will satisfy the listing requirement of Decree No. 239.

Application will be made to trade the EUR Optics Notes on the Official List of the Stock Exchange. There can be no assurance that the trading of the EUR Optics Notes on the Official List of the Stock Exchange will be granted in a timely manner or at all or that, once granted, will be maintained. Additionally, Optics does not makes any representation that such trading will satisfy the trading requirement under Decree No. 239 in order for the Optics Notes to be eligible to benefit from the exemption from the requirement to apply withholding tax.

The Italian tax authorities issued an interpretive circular relating to, among other things, the trading requirement of the aforementioned legislation that may be interpreted to require that the EUR Optics Notes be traded upon their issuance to benefit from the aforementioned provisions, including the exemption from the requirement to apply withholding tax. Hence, according to a stringent interpretation of this circular, the EUR Optics Notes may not be eligible to benefit from such provisions if the trading of the Optics Notes is not effective as of the EUR Optics Notes Issue Date. In the event that the EUR Optics Notes are not traded or that such trading requirement is not satisfied, payments of interest, premium and other income with respect to the EUR Optics Notes would be subject to a withholding tax (*ritenuta a titolo di imposta o acconto*), currently at a rate of 26% and, subject to certain exceptions under "*Terms and Conditions of the EUR Optics (TIF) Notes—Taxation—Additional Amounts*" Optics would be required to pay additional amounts with respect to such withholding taxes such that holders receive a net amount that is not less than the amount that they would have received in the absence of such withholding. Optics cannot assure the

holders of the EUR Optics Notes that the Italian tax authorities will not interpret the applicable legislation as requiring that the trading be effective at closing (upon issuance of the EUR Optics Notes) and Optics cannot assure the holders of the EUR Optics Notes that the listing can be achieved by the Optics Notes Issue Date. However, Optics intends to achieve the required trading of the holders of EUR Optics Notes on the EUR Optics Notes by obtaining a trading on the Luxembourg Stock Exchange. The imposition of withholding taxes with respect to payments on Optics Notes, and the resulting obligation to pay, subject to certain exemptions, additional amounts to holders of Optics Notes, could have a material adverse effect on Optics' business, financial condition and results of operations.

Certain covenants and events of default will be suspended if Optics receives investment grade ratings.

The EUR Optics Notes Trust Deed will provide that, if at any time following the Optics Notes Issue Date, Optics receives an investment grade rating from at least one of S&P or Moody's and any other rating agency, then the Optics Notes Collateral shall be released. See "*Terms and Conditions of the EUR Optics (TIF) Notes–Security"*.

Optics' right to receive payments under any Funding Loan prior to the Push-Down Merger (if it occurs) may be subordinated by law to the obligations of other creditors, and such Funding Loan is expected to cease to exist in connection with the Push-Down Merger.

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, such loan will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("**undercapitalization**"). Pursuant to Article 164 of the Italian Insolvency Code (as defined below), any payment made by the borrower with respect to any such loan within one year prior to the judicial winding-up declaration is ineffective by operation of law. The new provision replaced Article 2467, paragraph 1, of the Italian Civil Code, according to which such payments would be required to be returned to the borrower. For a more detailed explanation of the terms, conditions and consequences of claw-back actions in an insolvency scenario, see "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations—Certain Italian Insolvency Law Considerations—Hardening Period/Clawback and Fraudulent Transfer*" below. In addition to that, Article 292, paragraph 1, of the Italian Insolvency Code sets forth that claims of entities exercising management and coordination powers *vis-à-vis* the entities subject to such powers, and claims of the entities subject to such powers *vis-à-vis* the entities exercising them, deriving from loans granted after the filing of petitions resulting in the opening of judicial winding up in the year before, are subordinated.

The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date of this Exchange Offer Memorandum, there are several court precedents interpreting the provisions relating to Article 2467 of the Italian Civil Code summarized above. Some of such precedents have held that Article 2467 of the Italian Civil Code also applies to companies incorporated as joint stock companies (*società per azioni*), hence potentially to the borrowers under the intercompany loans that are a joint stock company (*società per azioni*), and therefore potentially to Optics under any Funding Loan.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code in respect of any Funding Loan borrowed by NetCo. Accordingly, an Italian court may conclude that the NetCo's obligations under any Funding Loan are subordinated to all its obligations towards other creditors. Should the NetCo's obligations under any Funding Loan be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, Optics may not be able to recover any amounts under any Funding Loan, which could have a material adverse effect on the Issuer's ability to meet its

payment obligations under the Optics Notes. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Optics Notes Collateral and Certain Insolvency Law Considerations*."

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans (including any Funding Loan) or notes are subordinated by operation of law, the ability of the holders of the Optics Notes to recover under any Optics Notes Collateral created over such intercompany loans or notes or any guarantees and/or security interest granted by such Italian subsidiaries (including the Guarantees) may be impaired or restricted.

In addition, any Funding Loan will automatically cease to exist upon the Push-Down Merger (if occurs).

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

The EUR Optics Notes will be subject to certain optional redemption features, exercisable at the discretion of Optics, enabling Optics to redeem the EUR Optics Notes, in whole or in part, as applicable, in the circumstances and at the redemption prices specified in "*Terms and Conditions of the EUR Optics Notes – Condition 6.2 (Redemption for Taxation Reasons) and Condition 6.3 (Redemption at the Option of Optics (Make-Whole Call)*". Under "*Terms and Conditions of the EUR Optics Notes – Condition 6.2 (Redemption for Taxation Reasons)*". Optics may redeem the EUR Optics Notes if a Payor is required to pay Additional Amounts either (i) as a result of a Change in Tax Law, or (ii) the merger of the Payor into another Person or the conveyance, transfer or lease of all or substantially all of the Payor's assets, unless the sole purpose of the merger would be to permit Optics to redeem the EUR Optics Notes. In the event that Optics exercises its option to redeem the EUR Optics Notes, in whole or in part, prior to the relevant maturity date, Noteholders may suffer a lower than expected yield and may not be able to reinvest the redemption proceeds in securities offering a yield or risk profile that is comparable to that of the EUR Optics Notes. Prospective investors should consider investment and reinvestment risks in light of other investments available to them at the time of such investment or reinvestment.

USE OF PROCEEDS

The Issuer will not receive any cash proceeds after giving effect to the Exchange Offers.

CAPITALIZATION OF THE TIM GROUP

The following table provides the cash and cash equivalents, the financial liabilities of the TIM Group in accordance with IFRS as of December 31, 2023 and the Capitalization of the TIM Group:

- On an actual basis;
- On an as adjusted basis to give effect to the Exchange Offers (assuming the Initial Exchange is subscribed at the Total Cap amount, with the New Notes issued pursuant to the Initial Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes ($431 million), respectively (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023), the consummation of the Acquisition, the Acquisition Exchange and the issuance of the Optics Notes.

Noteholders should read the below table together with "*Use of Proceeds,*" "*Description of Certain Other Financing Arrangements of the TIM Group*" and the TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum.

Certain amounts set forth below are based on an exchange rate as of December 31, 2023, of €1 = BRL 5.34964.

	As of December 31, 2023	
	Historical	**As Adjusted[2]**
	(unaudited)	
(€m)		
Cash and cash equivalents[1]	**2,912**	**10,872**
Current financial liabilities (short-term debt)	**6,609**	**6,839**
Finance liabilities directly associated with Discontinued operations/Non-current assets held for sale	-	-
Non-current financial liabilities (long-term debt):		
Bonds	15,297	10,285
Amounts due to banks, other financial payables and liabilities	5,987	4,321
Non-current financial liabilities for lease contracts	4,743	2,993
Total Non-current financial liabilities (a)	**26,027**	**17,600**
Equity:		
Share capital	11,620	11,620
Additional Paid-in capital	575	575
Other reserves, retained earnings, including profit (loss) for the period	1,451	1,248
Equity attributable to owners of the Parent	**13,646**	**13,443**
Non-controlling interests	**3,867**	**1,644**
Total equity (b)	**17,513**	**15,087**
Total Capitalization (a+b)	**43,540**	**32,687**

(1) The As Adjusted Cash and Cash equivalents reflects the assumed cash in from the Acquisition, but excludes payment by the TIM Group of any early bird premium or participation premium of, in each case, $2.50 or €2.50 per $1,000 or €1,000 principal amount (as the case may be) per Original Note accepted in connection with the Initial Exchange. For the purposes of calculating the cash-in from the Acquisition, which depends, among other factors, on the results of the Exchange Offers as the amount of debt transferred from TIM to Optics will reduce the cash component of the Purchase Price, the management assumed that the Initial Exchange is subscribed at the Total Cap amount, with the New Notes issued pursuant to the Initial Exchange split by equal principal amount across each series of the EUR New Notes (€430 million) and each series of the USD New Notes ($431 million), respectively (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023).This measure does not reflect the drawdown under the TIM Term Facility Agreement of an amount equal to €1.5 billion on April 10, 2024. If the Initial Exchange is subscribed below the Total Cap, or if no or fewer New Notes are issued pursuant to the Initial Exchange, the cash purchase price of the Acquisition will increase commensurately. The cash and cash equivalents at the Acquisition Closing Date may differ due to a number of factors, including, without limitation, the triggering of any purchase price adjustments pursuant to the Transaction Agreement, the date on which the Acquisition is consummated, ongoing operations of the TIM Group and the other matters set forth in this footnote. The As Adjusted Cash and Cash equivalents do not reflect any adjustments in respect of the order of seizure issued on February 2, 2024 by the preliminary investigation judge (*Giudice per le indagini preliminary*) of the Court of Milan carrying out a preventive seizure (*sequestro preventivo*) of the sums held in the TIM Group's bank accounts amounting to approximately €249.0 million. See "*Risk Factors—Risks Related to The TIM Group—Risks Related to the TIM Group's Legislative and Legal Framework— The TIM Group is exposed to risks in connection with fraud.*"

(2) Reflects the Exchange Offers with the Acquisition and the Acquisition Exchange. As adjusted amounts do not reflect (i) the repayment at maturity of €450 million aggregate principal amount of the 2024 3.625% Euro Notes on January 19, 2024, (ii) the repayment at maturity of €950 million aggregate principal amount of the 2024 4% Euro Notes on April 11, 2024, (iii) the repayment of the Intesa Sanpaolo Loan Agreement of €500 million on March 25, 2024 and (iv) the drawdown under the TIM Term Facility Agreement of €1.5 billion on April 10, 2024.

CAPITALIZATION OF NETCO AND OPTICS

The following table provides the cash and cash equivalents, the financial liabilities of the Optics Group in accordance with IFRS as of December 31, 2023 and the Capitalization of the Optics Group:

- On an actual carve-out basis for NetCo; and
- On a pro forma as adjusted basis of Optics to give effect to the Exchange Offers (assuming the Initial Exchange is subscribed at the Total Cap amount, with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes ($431 million), respectively (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023), the consummation of the Acquisition, the Acquisition Exchange and the issuance of the Optics Notes and the incurrence of other committed financing of Optics in connection with the Acquisition and the equity contributed to Optics.

The presentation below is for illustrative purposes only based on the assumptions set forth above and is not intended to be an indication of the expected results of the Transactions. Actual amounts are subject to adjustments and may vary from estimated amounts depending on several factors, including but not limited to the principal amount of Original Notes tendered in the Exchange Offers, the Acquisition Closing Date, the actual amount of consideration payable by Optics upon such date and fees, costs and expenses payable by Optics in connection with the Transactions. Any additional amounts required by Optics to fund the actual amounts required for the Transactions may be funded by equity, debt and/or other liquidity available to Optics. There is no assurance that the Exchange Offers will be subscribed for in the assumed amount. Completion of the Exchange Offers is conditioned upon the completion of the Acquisition.

Noteholders should read the below table together with "*Use of Proceeds*," "*Description of Certain Other Financing Arrangements of the Optics Group*" and the NetCo Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum.

The table below does not account for Current and Non-current financial liabilities from lease contracts (net of lease receivables), amounting to €2,147 million.

	As of December 31, 2023	
	Historical NetCo	***As Adjusted Optics***[(1)(*)]
		(unaudited)
(€m)		
Cash and cash equivalents	**152**	**152** [(2)]
Non-current financial liabilities (long-term debt):		
Optics Notes[(3)]	-	5,000
Bank Loans	-	3,500
Amounts due to banks, other financial payables and liabilities	3,571	-
Total Non-current financial liabilities (a)	**3,571**	**8,500**
Total invested capital/equity (b)[(4)]	**5,356**	**10,452**
Total Capitalization (a+b)	**8,927**	**18,952**

(*) The data presented in the "*As Adjusted*" column under "*Capitalization of NetCo and Optics*", have been prepared by Optics. The preparation of such data involved applying specific adjustments to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information. These adjustments were made to reflect the effects of the Transactions, based on certain assumptions, including the expected outstanding debt of Optics as of the Acquisition Closing Date on a *pro forma* basis for the Acquisition. For more information, see "*Summary Historical Consolidated Financial and Other Information of NetCo and Optics*."

(1) Reflects the Exchange Offers, Acquisition and the Acquisition Exchange.

(2) Cash and cash equivalents *As Adjusted for the Transactions* represents the cash and cash equivalents of the Optics Group after giving *pro forma* effect to the Transactions. This measure reflects the cash at NetCo of €152 million. Cash and cash equivalents *As Adjusted* does not account for any potential cash in from TIM or Infratel related to the NRRP advance payments received by TIM at the end of 2023. In addition, Cash and cash equivalents *As Adjusted* does not take into account the payment of any transaction costs associated with the Transactions by

Optics. The cash and cash equivalents at the Acquisition Closing Date may differ due to a number of factors, including, without limitation, the triggering of any purchase price adjustments pursuant to the Transaction Agreement.

(3) In connection with the Acquisition Exchange, assuming the Initial Exchange is subscribed at the Total Cap amount, with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes ($431 million), respectively (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023).

(4) Total As adjusted Optics invested capital/equity is calculated as the Purchase Price (which does not include deferred consideration), plus cash and cash equivalents, less Total Non-current financial liabilities and is not adjusted for €305 million of employment benefits expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE TIM GROUP

The following discussion and analysis is intended to assist in providing an understanding of the TIM Group's financial condition, changes in financial condition and results of operations and should be read in conjunction with (i) in the case of financial information as of and for the years ended December 31, 2023 and December 31, 2022, the 2023 TIM Audited Consolidated Financial Statements and (ii) in the case of financial information as of and for the year ended December 31, 2021, the 2022 TIM Audited Consolidated Financial Statements, in each case prepared in accordance with IFRS. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with an investment in the Notes.

Unless the context otherwise requires, when used in this section, the term "TIM Group" refer to the business constituting the TIM Group as of the date of this Exchange Offer Memorandum even though it may not have owned such business for the entire duration of the periods presented and without giving effect to the Transactions.

In addition to the conventional financial performance measures established by the IFRS, the TIM Group uses certain alternative performance measures to provide a measure of operating results excluding certain items that it believes are either outside of its recurring operating activities, or items that are non-cash. Excluding such items enables trends in the TIM Group's operating results and cash flow generation to be more easily observable. The TIM Group uses the non-IFRS measures internally to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating within the TIM Group's industry, and thus are a basis for comparability between the TIM Group and its peers. Such non-IFRS measures are not necessarily comparable to similarly titled measures of other companies. Furthermore, non-IFRS measures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, data prepared in accordance with IFRS. See "*Presentation of Financial and Other Information*" included elsewhere in this Exchange Offer Memorandum for further details regarding the non-IFRS measures presented in this section.

Basis of Presentation

This discussion and analysis for each of the periods presented is based on the financial information derived from the TIM Audited Consolidated Financial Statements. The TIM Audited Consolidated Financial Statements have been prepared on a going concern basis and in accordance with IFRS, as well as laws and regulations in force in Italy.

For details regarding basis of presentation and the TIM Group's critical accounting policies, judgments and estimates, see Note 2 to each of the 2023 TIM Audited Consolidated Financial Statements and the 2022 TIM Audited Consolidated Financial Statements.

Exchange Rate Information

Certain financial information contained herein has been translated from Brazilian Real ("***BRL***") into Euro solely for your convenience. The TIM Group does not make any representation that any amount translated herein has been, or could be, converted into Euro at the rates indicated or any other rate. The average exchange rate used for the translation of BRL into Euro (expressed in terms of units of BRL per 1 Euro) herein is 5.40158 for the year ended December 31, 2023, 5.43993 for the year ended December 31, 2022 and 6.35936 for the year ended December 31, 2021.

Operating Segments

The TIM Group operates its business through three business units: the Domestic Business Unit, the Brazil Business Unit and Other Operations. For further information, please refer to Notes 1 and 39 to the 2023 TIM Audited Consolidated Financial Statements, Notes 1 and 39 to the 2022 TIM Audited Consolidated Financial Statements and Notes 1 and 39 to the 2021 TIM Audited Consolidated Financial Statements for further details on each segment.

The TIM Group Business Units described below are presented in line with the 2023 TIM Audited Consolidated Financial Statements.

Domestic Business Unit

The Domestic Business Unit includes the TIM Group's activities in Italy relating to voice and data services on fixed-line and mobile networks for retail customers and other wholesale operators, activities in the European, Mediterranean and South American markets relating to providing international voice, data and Internet services for fixed-line and mobile telecommunications operators, ISPs/ASPs (in the wholesale market) and to multinational companies through the networks available to the TIM Group, developing fiber optic networks for wholesale customers, supplying passive access services on the secondary copper and fiber network, providing cloud and edge computing solutions, providing information technology products and services as well as providing other support services for the Domestic Business Unit.

As of and for the years ended December 31, 2022 and 2021, the Domestic Business Unit operated through the following five segments:

- *Consumer*: The Consumer segment is engaged in providing voice and Internet services and products for both fixed-line and mobile markets to individual customers as well as managing customers through stores.

- *Business*: The Business segment is engaged in providing, managing and developing voice, data, and Internet services and products and other ICT solutions for primarily small and medium-size enterprises, SOHOs, the Italian public sector and other large accounts as well as enterprises in the fixed-line and mobile telecommunications markets.

- *Wholesale National Market*: The Wholesale National Market segment is engaged in managing and developing portfolios of regulated and unregulated wholesale services for fixed-line and mobile telecommunications operators in the Italian domestic market and for other MVNO.

- *Wholesale International Market*: The Wholesale International Market segment is engaged in providing voice, data and Internet services for fixed-line and mobile telecommunications operators, ISPs, ASPs in the wholesale market and to multinational companies through its own networks in the European, Mediterranean and South American market.

- *Other*: The Other segment is engaged in providing miscellaneous services, including technological innovation, engineering, construction and operating processes for network infrastructures, information technology services and infrastructure and network maintenance services. This segment also includes corporate support activities for the TIM Group.

As of and for the year ended December 31, 2023, revenues generated by the TIM Group's Domestic Business Unit have been presented as follows:

- *Consumer and Small Medium Business* (SMB): The Consumer and Small Medium Business (SMB) segment comprises all fixed and mobile voice and Internet services and products for non-business customers (including public telephony, caring activities and administrative management of customers), SME customers, and SOHO customers. This segment also includes the TIM Retail company, which coordinates the activities of the stores.

- *Enterprise*: The Enterprise segment consists of ICT solutions and connectivity products and services managed and developed for top customers, public sector customers and large accounts. The Enterprise segment includes the following entities: Olivetti, TI Trust Technologies, Telsy and Noovle.

- *Wholesale National Market:* The Wholesale National Market segment is engaged in managing and developing portfolios of regulated and unregulated wholesale services for fixed-line and mobile telecommunications operators in the Italian domestic market and for other MVNO. The Wholesale National Market includes the following entities: TI San Marino and Telefonia Mobile Sammarinese.

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

- *Other*: The Other segment includes:

    - *Other Operations*: Other Operations includes technological innovation and development, engineering, construction and operating processes for network infrastructures, IT, systems and properties and all services of FiberCop; and

    - *Staff & Other*: Staff & Other includes services provided by the staff departments and other support activities.

Brazil Business Unit

The Brazil Business Unit is engaged in providing mobile services using universal mobile telecommunications system, global system mobile and long-term evolution technologies in Brazil. It also offers fiber optic data transmission using full IP technology, such as dense wavelength division multiplexing, multiprotocol label switching, as well as residential broadband services.

Other Operations

The Other Operating Business Unit includes ancillary operations of the TIM Group, including financial operations.

Delayering Plan

The TIM Group is in the process of delayering its business segments. The delayering under the 2022-2024 Industrial Plan was initially approved in 2022, and on February 14, 2023 and March 6, 2024, the Board approved the continuation of the Delayering Plan under the 2023-2025 Industrial Plan and 2024-2026 Industrial Plan, respectively. The process for setting up the legal entities to give effect to the delayering was set into motion in November 2022. Following the completion of the Transactions and the Delayering Plan, it is expected that the TIM Group will operate its business through the following three business areas:

- **TIM Enterprise**: The TIM Enterprise segment will comprise the TIM Group's commercial activities in the enterprise market, and will include, among other things, cloud computing, IoT and cybersecurity services. It will also include the TIM Group's data center assets.

- **TIM Consumer**: The TIM Consumer business segment will include the TIM Group's retail business which caters to consumers and small and medium business customers in both fixed-line and mobile markets. It will also include the mobile network assets and service platforms.

- **TIM Brasil**: The existing Brazil Business Unit will be reclassified as the TIM Brasil segment.

For more details of the Delayering Plan, please see "*Summary—The TIM Group's Strategy.*"

As part of the Delayering Plan, the resulting business areas are expected to be TIM Enterprise, TIM Consumer and TIM Brasil, which the TIM Group believes will more accurately represent the TIM Group's horizontal structure following the successful completion of the Transactions. The post delayering business areas described herein are not considered. The TIM Group is currently planning the reorganization of its structure through a revised business segmentation, which will account for the contribution of the NetCo Business to FiberCop and the sale of TIM's stake in FiberCop and it is expected that the TIM Group will continue to pursue its focused strategy. During 2024, once the Transactions are completed, an assessment will be carried out to identify the operating segments in accordance with IFRS 8. This will take into account the specific guidance provided by the standard itself (autonomy of operating flows, method of allocating financial resources, management reporting, etc.).

Key Factors Affecting the TIM Group's Results of Operations and their Comparability

The TIM Group's operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors, among others, affecting the ordinary course of the TIM Group's business and its results of operations are discussed below.

Acquisitions and Integration of Businesses, Disposals and Strategic Initiatives

The TIM Group has from time to time made significant direct and indirect equity investments in, and divestments of, several telecommunications businesses and ancillary service providers in various jurisdictions. Due to the significant nature of certain of these acquisitions and disposals, the comparability of the TIM Group's results of operations based on the TIM Audited Consolidated Financial Statements may be affected. For example, on April 4, 2022, the TIM Group completed the acquisition of Oi's mobile business in Brazil, which affects the comparability of financial information for its Brazil Business Unit as of and for the year ended December 31, 2022 and as of and for the year ended December 31, 2021. See "*—Discussion and Analysis of The TIM Group's Results of Operations—Year Ended December 31, 2022 compared to the Year Ended December 31, 2021.*" In addition, the TIM Group generally record goodwill relating to acquisitions. As of December 31, 2023, the goodwill recorded on the TIM Group's consolidated statement of financial position amounted to €19,170 million, compared to €19,111 million as of December 31, 2022, and €18,568 million as of December 31, 2021. Goodwill is subject to impairment reviews in accordance with IFRS and any impairment charge on goodwill would have a negative impact on operating profit. As of December 31, 2021, the TIM Group's goodwill impairment loss amounted to €4.12 billion. As of December 31, 2023, the TIM Group assessed for impairment its CGUs. Since their recoverable amounts were higher than the respective carrying amounts, TIM Group did not record any impairment loss.

Only after the consummation of the Acquisition will an analysis be carried out in accordance with the applicable IFRSs (specifically IAS 36) to determine the amount of goodwill that will be attributed by the TIM Group to NetCo.

Macroeconomic and Geopolitical Developments

The TIM Group's operations are subject to macroeconomic and geopolitical risks that are outside of the TIM Group's control. For example, high levels of inflation or sovereign debt, combined with weak growth and high unemployment, could affect the spending capacity of the TIM Group'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, leading to fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, heightened levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact the TIM Group's financial condition. See "*Risk Factors—Risks Related to the TIM Group—Risks Related to Macroeconomic Conditions Affecting the TIM Group*."

For example, the TIM Group's results of operations in the periods under review have been affected by adverse economic conditions in its core Italian market as well as in Brazil, including as a result of inflationary pressures and increases in interest rates, which have had a negative effect on consumer confidence and the demand for the TIM Group's products and services in these markets.

Competition and Pricing

In each of the jurisdictions in which the TIM Group operates, the TIM Group faces significant competition and competitive pressures, including, increasingly, from providers of alternative new technologies or improvements in existing technologies, against a backdrop of otherwise challenging market conditions. These factors have resulted in significant pricing pressures in the telecommunications sector, which have impacted the TIM Group's results of operations in the periods under review. See "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry*," "*Business of the TIM Group*" and "*The TIM Group Industry Overview*." Given the competitive dynamics and the prevalent macroeconomic environments in the markets in which the TIM Group operates, during the periods under review, the TIM Group has introduced pricing mechanisms for adjusting its product and service offerings to account for increased costs, primarily associated with heightened inflation, in order to reduce pressure on cash costs. Certain of the TIM Group's competitors may not pursue price-based competition, which could contribute to a loss of its market share and further increase pricing pressure in its retail business. The

telecommunications market is also experiencing consolidation and globalization, which may further intensify competition and affect the TIM Group's results of operations. For a description of the competitive landscape in the key geographies in which the TIM Group operates, please see "*The TIM Group Industry Overview*."

Mobile Network Upgrades

The TIM Group's ability to provide new or enhanced telecommunications services and to grow its subscriber base depends in part on its ability to upgrade its mobile network infrastructure, which is capital intensive. The TIM Group's has invested heavily in building its market leading, next-generation mobile network infrastructure over time and remain committed to further developing and future-proofing its network by investing in the latest network technologies. Among other things, the TIM Group plans to continue to update and expand its mobile network, with a particular focus on its 5G network expansion in Italy which is supported by the valuable spectrum rights that the TIM Group acquired over time. The TIM Group believes that its investment plans position it to meet customer demand for high-speed services, as well as to provide the critical high-capacity fiber backhaul services required by mobile operators to meet the growing demand for mobile data services.

During the periods under review, the TIM Group has incurred significant capital expenditures in order to upgrade its mobile networks and to obtain necessary licenses and spectrum rights. See "*—Capital Expenditures and Expenses for Mobile Telephone Licenses/Spectrum*" below.

Cyber Attack

Cyber risk represents one of the major risks for the TIM Group as it could generate impacts on the business in terms of access to sensitive information and blockage/slowdown in the provision of services. The TIM Group has structured a risk management process from a preventive and reactive perspective, with assessment of the impact levels and prioritization of mitigation actions in a risk-based approach. See "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group's businesses are subject to cybersecurity risks*" below.

Debt Service Obligations

The TIM Group's outstanding debt and debt service requirements and may incur additional debt in the future. See "*—Liquidity and Capital Resources*" below and "*Risk Factors—Risks Relating to the TIM Group's Indebtedness*" and "*Description of Certain Other Financing Arrangements of the TIM Group"* included elsewhere in this Exchange Offer Memorandum. The TIM Group's significant level of debt places it at a competitive disadvantage relative to competitors with lower leverage and could have important consequences, including, but not limited to, restricting its ability to exploiting other business opportunities and increase its vulnerability to, and reduce its flexibility to respond to, adverse general economic or industry conditions. See "*Risk Factors—Risks Relating to the TIM Group's Indebtedness—If the Acquisition is not consummated, the substantial leverage and debt service obligations of the TIM Group could adversely affect its business and may jeopardize the fullfilment of its obligations, including its payment obligations under the Original Notes (not tendered or accepted in the Exchange Offer) and the New Notes.*"

Fluctuations in Currency Exchange Rates and Interest Rates

The TIM Group's reporting currency is Euro but a significant portion of its revenue and expenses are currently earned or incurred in other currencies (primarily BRL). The TIM Group is therefore exposed to foreign currency exchange risk. As a result, its reported results of operations can deviate from the results of its businesses on a local currency basis. The exchange rate the Euro and other currencies in the markets in which the TIM Group operates has been volatile in the past and may continue to be volatile in the future. Although the TIM Group attempts to mitigate currency risk to an extent through hedging, sharp changes in the exchange rate could have a material effect on the TIM Group's results of operations.

The TIM Group's borrowings are denominated primarily in Euro, U.S. dollars and BRL, but the TIM Group does not necessarily match the cash flows generated from its operations. In addition, a portion of its borrowings bear a floating rate of interest. While the TIM Group hedges the risk of certain currency and interest rate fluctuations in respect of a portion of its existing debt, these arrangements may not insulate it completely from such exposure. See "*Risk Factors—*

Risk Factors Related to the TIM Group—Risks Related to Macroeconomic Conditions Affecting the TIM Group—Fluctuations in currency exchange and interest rates and the performance of the equity markets in general may adversely affect the TIM Group's results."

TIM Group Operational Data

The TIM Group uses several key operating measures to evaluate the performance of its business. Such operating measures are not measures of financial performance under IFRS, nor have such measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from the TIM Group's internal operating and financial systems. As defined by the TIM Group's management, these terms may not be directly comparable to similar terms used by competitors or other companies.

The tables below set forth the TIM Group's key operating measures by business unit and relevant segments as of the years ended December 31, 2023, 2022 and 2021:

*Domestic Business Unit***:** *Fixed*

	For the year ended December 31,		
	2023	**2022**	**2021**
Total retail accesses (thousands)	7,975	8,290	8,647
of which NGN[(1)]	5,580	5,417	5,186
Total wholesale accesses (thousands)	7,247	7,525	7,729
of which NGN	5,280	5,171	4,819
Active Broadband accesses retail (thousands)	7,196	7,443	7,733
Consumer ARPU (€/month)[(2)]	28.1	28.3	30.1
BroadBand ARPU (€/month)[(3)]	38.1	35.6	33.4

(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 Business Unit: Mobile

	For the year ended December 31,		
	2023	**2022**	**2021**
Lines at period end (thousands)	30,128	30,407	30,466
of which Human	18,071	18,438	19,054
Churn rate (%)[(1)]	12.8	13.3	14.7
BroadBand users (thousands)[(2)]	12,592	12,577	12,783
Retail ARPU (€/month)[(3)]	6.9	7.1	7.5
Human ARPU (€/month)[(4)]	11.4	11.5	11.7

(1) Percentage of total lines that ceased in the period compared to the average number of total lines.

(2) Mobile lines using data services.

(3) Revenues from organic retail services (visitors and MVNO not included) compared to the total average number of lines.

(4) Revenues from organic retail services (visitors and MVNO not included) compared to the average number of human lines.

Brazil Business Unit

	For the year ended December 31,		
	2023	**2022**	**2021**
Lines at period end (thousands)[(1)]	61,248	62,485	52,066
Mobile ARPU[(2)] (BRL)	29.5	26.1	26.4

(1) Includes corporate lines.

(2) Includes blended ARPU (pre-paid and post-paid).

Non-Recurring Events

In the years ended December 31, 2023, 2022 and 2021, 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 presented 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 and restructuring and prior-year adjustments.

Key Income Statement Items

Revenue

Revenue consists of income generated from the equipment sales and delivery of voice and data services on fixed and mobile networks for retail and wholesale customers across the TIM Group's Domestic Business Unit, Brazil Business Unit and Other Operations Unit, including adjustments and eliminations. See "*Operating Segments.*"

Other Income

Other income mainly consists of late payment fees charged for telephone services, recovery of employee benefit expenses, purchases and services rendered, capital and operating grants, damages, penalties and recoveries connected with litigation, estimate revisions and other adjustments, income for special training activities and other income.

Acquisition of Goods and Services

Acquisition and goods services are associated with costs related to the acquisition of goods, revenues due to the other TLC operators and interconnection costs, commercial and advertising costs, professional and consulting services, power, maintenance and outsourced services, lease and rental costs and other similar costs.

Employee Benefit Expenses

Employee benefits and expenses consists of the ordinary employee expenses and costs and restructuring and other expenses.

Other Operating Expenses

Other operating expenses mainly consists of the following subcategories: (i) write-downs and expenses in connection with credit management (ii) provision charges (iii) TLC operating fees and charges (iv) indirect duties and taxes (v) penalties, settlement compensation and administrative fines (vi) subscription dues and fees; donations, scholarships and traineeships and (vii) sundry expenses.

Internally Generated Assets

Internally generated assets primarily refer to the capitalization of costs relating to network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)

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

EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. The TIM Group believes that this measure is useful to readers of the TIM Audited Consolidated Financial Statements as it provides them with a measure of the operating results which excludes certain items the TIM Group considers outside of its recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding its operating results that allows investors to better identify trends in its financial performance. EBITDA should not be considered as a substitute measure for net income or loss, operating profit, cash flow or other combined income or cash flow data prepared in accordance with IFRS and may not be comparable to similarly titled measures used by other companies. Further, this measure should not be considered as an alternative for operating profit as the effects of depreciation, amortization and impairment excluded from this measure do ultimately affect the operating results, which is also presented within the TIM Audited Consolidated Financial Statements in accordance with IAS 1 (Presentation of Financial Statements).

Depreciation and Amortization

Depreciation and amortization includes amortization of intangible assets with a finite useful life, depreciation of tangible assets and amortization of rights of use assets.

Impairment reversals (losses) on non-current assets

Impairment reversals (losses) on non-current assets contains impairment reversal and losses on non-current intangible and tangible assets. In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment on an annual basis.

Operating profit (loss) (EBIT)

Operating profit (loss) EBIT is calculated to include impairment losses (reversals) on non-current assets, losses (gains) on disposals of non-current assets and depreciation and amortization.

Share of losses (profits) of associates and joint ventures accounted for using the equity method

Share of losses (profits) of associates and joint ventures accounted for using the equity method reflects the effect of applying the equity method to measure investments in associates and joint ventures.

Other income (expenses) from investments

Other income (expenses) from investments includes dividends from other investments, net gains on the sale of investments in associates and joint ventures accounted for using the equity method, and sundry income and expenses.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include interest income, income from financial receivables recorded in non-current assets, income from securities other than investments, recorded in non-current assets, income from securities other than investments recorded in current assets, miscellaneous finance income, interest expenses and other costs related to bonds, interest expenses to banks, interest expenses to others, finance expenses on lease liabilities, commissions and other finance expenses.

Income tax expense

Income tax expense includes all taxes calculated on the basis of taxable income.

Profit (Loss) for the period

Profit (Loss) for the period includes profit (loss) for the year from continuing operations and discontinued operations/non-current assets held for sale.

Discussion and Analysis of the TIM Group's Results of Operations for the year ended December 31, 2023 compared to the year ended December 31, 2022

The below table sets forth the TIM Group's separate consolidated income statement for the year ended December 31, 2023 compared to the year ended December 31, 2022.

Separate Consolidated Income Statement (€m)	**For the year ended December 31,**	
	2023	**2022**
Revenues	**16,296**	**15,788**
Other Income	206	213
Total operating revenues and other income	**16,502**	**16,001**
Acquisition of goods and services	(7,518)	(7,239)
Employee benefits expenses	(2,987)	(3,180)
Other operating expenses	(872)	(816)
Change in inventories	47	22
Internally generated assets	538	559
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**5,710**	**5,347**
Depreciation and amortization	(4,863)	(4,777)
Gains (losses) on disposals of non-current assets	(11)	36
Impairment reversals (losses) on non-current assets	—	—
Operating profit (loss) EBIT	**836**	**606**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(29)	23
Other income (expenses) from investments	53	206
Finance income	1,095	1,115
Finance expenses	(2,835)	(2,538)
Profit (loss) before tax continuing operations	**(880)**	**(588)**
Income tax expense	(227)	(2,066)
Profit (loss) from continuing operations	(1,107)	**(2,654)**
Profit (loss) from Discontinued operations/Non-current assets held for sale	**-**	**-**
Profit/(loss) for the period	**(1,107)**	**(2,654)**
Attributable to:		
Owners of the Parent	**(1,441)**	**(2,925)**
Non—controlling interests	334	271

Non-Recurring Events

The TIM Group's results of operations as of and for the year ended December 31, 2023 were significantly impacted by non-recurring net operating expenses during the course of 2023 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 presented because their amount is significant.

Specifically, non-recurring events for the year ended December 31, 2023, included the following:

- €484 million in employee benefits expenses mainly relating to outgoing managerial and non-managerial staff in connection with the Corporate Reorganization and Restructuring Process;
- €44 million mainly for non-recurring expenses associated with agreements and the development of corporate transformation and expansion projects in Italy and Brazil;
- €134 million of other operating expenses primarily as provisions for disputes, settlements, regulatory sanctions and potential liabilities related to them; and
- €11 million in income for recovery of operating expenses.

Revenue

For the year ended December 31, 2023, the TIM Group generated total revenue of €16,296 million, a 3.2% increase compared to €15,788 million for the year ended December 31, 2022. This increase in total revenue was principally due to an increase in revenue generated by the Brazil Business Unit.

The following table sets forth the TIM Group's revenue by business unit for the year ended December 31, 2023 and 2022, respectively:

	For the year ended December 31,	
(€m)	**2023**	**2022**
Domestic	11,922	11,858
Brazil	4,412	3,963
Other Operations	—	—
Adjustments and eliminations	(*38*)	(*33*)
Consolidated Total	**16,296**	**15,788**

Domestic Business Unit

Revenue generated by the TIM Group's Domestic Business Unit for the year ended December 31, 2023, amounted to €11,922 million a 0.5% increase compared to €11,858 million for the year ended December 31, 2022.

The table below breaks down the TIM Group's Domestic Business Unit revenue by operating segment for the year ended December 31, 2023 and 2022, respectively:

	For the year ended December 31,	
(€m)	**2023**	**2022**
Consumer and Small Medium Business (SMB)	5,629	5,913
Enterprise	3,088	2,968
Wholesale National Market	2,014	1,948
Wholesale International Market	1,021	992
Other	170	35
Consolidated Total	**11,922**	**11,858**

Consumer and Small Medium Business (SMB): Revenue from the TIM Group's Consumer and Small Medium Business (SMB) segment for the year ended December 31, 2023 amounted to €5,629 million, a 4.8% decrease compared to €5,913 million for the year ended December 31, 2022.

Mobile services revenue for the year ended December 31, 2023 totaled, in organic terms, €2,169 million, a €88 million or 3.9% decrease compared to the year ended December 31, 2022. The impact of the competitive dynamic remained the same for the year ended December 31, 2023 compared to the year ended December 31, 2022, albeit with a lesser reduction of the customer base calling. However, revenue from traffic for the year ended December 31, 2023 decreased compared to the year ended December 31, 2022, mainly due to the progressive reduction of interconnection tariffs.

Fixed services revenue for the year ended December 31, 2023 totaled, in organic terms, €2,972 million, a €152 million or 4.9% decrease compared to the year ended December 31, 2023. This decrease is due to the reduction in the TIM Group's customer base and ARPU levels.

Handset and Bundle & Handset revenue totaled €506 million for the year ended December 31, 2023, a €52 million decrease compared to the year ended December 31, 2022. This decrease was mainly due the progressive slowdown of the mobile terminal market.

Enterprise: Revenue generated by the Enterprise segment for the year ended December 31, 2023 amounted to €3,088 million, a 4.1% increase compared to €2,968 million for the year ended December 31, 2022. In particular:

Mobile service revenue for the year ended December 31, 2023 slightly increased (an increase of €4 million) compared to the mobile service revenues for the year ended December 31, 2022. Fixed service revenues for the year ended

December 31, 2023 increased by €129 million or 5.8% increase compared to the year ended December 31, 2022, mainly driven by the increase in revenues from ICT services.

Wholesale National Market: The Wholesale National Market segment generated revenue in an amount of €2,014 million for the year ended December 31, 2023, a 3.4% increase compared to €1,948 million for the year ended December 31, 2022. This increase is mainly due to the positive impact of the regulatory price dynamics.

Wholesale International Market: Revenue generated by the Wholesale International Market segment for the year ended December 31, 2023 amounted to €1,021 million, a 2.9% increase compared to €29 million for the year ended December 31, 2022, mainly due to the sales revenues for spectrum/fiber and the growth of revenues related to mobile operator solutions, which is complemented by a strategy for rationalizing voice revenues.

Brazil Business Unit

The Brazil Business Unit generated revenue of €4,412 million (BRL 23,834 million) for the year ended December 31, 2023, a 16.4% increase compared to €3,963 million (BRL 21,531 million) for the year ended December 31, 2022.

This was primarily driven by an increase in service revenue of 10.8%, from BRL 20,829 million for the year ended December 31, 2022 to BRL 23,071 million for the year ended December 31, 2023. Mobile services revenue for the year ended December 31, 2023 increased by 11.2% compared to the year ended December 31, 2022. This performance is mainly related to the continuous recovery of the pre-paid and post-paid segments. Fixed services revenue for the year ended December 31, 2023 increased by 4.6% compared to the year ended December 31, 2022. This increase is mainly driven by the expansion of TIM UltraFibra. Product sales revenue increased from BRL 702 million for the year ended December 31, 2022 to BRL 763 million for the year ended December 31, 2023.

Other Income

For the year ended December 31, 2023, other income decreased to €206 million from €213 million for the year ended December 31, 2022. This decrease was primarily due to the decrease in the estimate revisions and other adjustments of €17 million.

Acquisition of Goods and Services

For the year ended December 31, 2023, acquisition of goods and services amounted to €7,518 million, compared to €7,239 million for the year ended December 31, 2022. This is comprised of increased in the TIM Group's Brazil Business Unit of €125 million (including an exchange gain of €9 million) and in the Domestic Business Unit of €165 million, in each case compared to the year ended December 31, 2022.

Employee Benefits Expenses

For the year ended December 31, 2023, the employee benefits expenses amounted to €2,987 million compared to €3,180 million for the year ended December 31, 2022. The decrease of €193 million was mainly driven by reductions in ordinary employee expenses, mainly due to the savings associated with the reduction in the average salaried employees.

Other Operating Expenses

For the year ended December 31, 2023, other operating expenses increased to €872 million, from €816 million for the year ended December 31, 2022. This increase was mainly attributable to an increase in other charges which was mainly related to regulatory sanctions.

The non-recurring items for the year ended December 31, 2023 amounted to €134 million, mainly due to provisions for regulatory sanctions and onerous contracts.

Internally Generated Assets

For the year ended December 31, 2023, internally generated assets decreased to €538 million, from €559 million for the year ended December 31, 2022, primarily due to increased capitalization of labor costs relating to design, construction and testing of network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

EBITDA

For the year ended December 31, 2023, the TIM Group's EBITDA amounted to €5,710 million, a 6.8% increase compared to €5,347 million for the year ended December 31, 2022. EBITDA for the year ended December 31, 2023 was impacted by non-recurring items in the amount of €673 million, whilst for the year ended December 31, 2022, the total impact of €682 million was primarily comprised non-recurring items, of which €484 million related to the application of Article 4 of Italian Law No. 92 of June 28, 2012 and €189 million for the posting of a Contractual Risk Provision for Onerous Contracts (IAS 37).

The table below sets forth the TIM Group's EBITDA by business unit for the year ended December 31, 2023 and the year ended December 31, 2022, respectively:

	For the year ended December 31,	
(€m)	**2023**	**2022**
Domestic	3,577	3,519
% of Revenues	30.0	*29.7*
Brazil	2,141	1,839
% of Revenues	48.5	*46.4*
Other Operations	(8)	(12)
Adjustments and eliminations	-	*1*
Consolidated Total	**5,710**	**5,347**

Domestic Business Unit

EBITDA generated by the TIM Group's Domestic Business Unit for the year ended December 31, 2023 amounted to €3,577 million, an increase of €58 million or 1.6% from the year ended December 31, 2022.

Brazil Business Unit

EBITDA attributable to the TIM Group's Brazil Business Unit for the year ended December 31, 2023 was €2,141 million, a 16.4% increase compared to €1,839 million for the year ended December 31, 2022.

Depreciation and Amortization

For the year ended December 31, 2023, depreciation and amortization amounted to €4,863 million, compared to €4,777 million for the year ended December 31, 2022. The increase of €86 million can be attributed for €59 million to the Brazil Business Unit and for €27 million to the Domestic Business Unit.

Operating profit (loss) (EBIT)

For the year ended December 31, 2023, Operating profit (loss) (EBIT) amounted to €836 million compared to €606 million for the year ended December 31, 2022.

Share of losses (profits) of associates and joint ventures accounted for using the equity method

Share of losses (profits) of associates and joint ventures accounted for using the equity method decreased to a loss of €29 million for the year ended December 31, 2023, from €23 million for the year ended December 31, 2022.

Other income (expenses) from investments

For the year ended December 31, 2023, other income (expenses) from investments amounted to €53 million compared to €206 million for the year ended December 31, 2022, mainly due to net capital gains on the disposal of equity investments in associates and joint ventures accounted for using the equity method.

Finance income and expenses

For the year ended December 31, 2023, finance income (expenses) reflected a net expense of €1,740 million, compared to €1,423 million for the year ended December 31, 2022. This increase is substantially attributable to the dynamics of interest rates and to the higher debt exposure.

Income tax expenses

For the year ended December 31, 2023, income tax expenses amounted to €227 million, compared to €2,066 million for the year ended December 31, 2022. The decrease was mainly due to a decrease in deferred tax.

Profit (loss) for the period

For the year ended December 31, 2023, loss for the period ended December 31, 2023 was €1,107 million compared to a loss of €2,654 million for the year ended December 31, 2022. The reasons for this decrease are disclosed in the foregoing sections.

Discussion and Analysis of the TIM Group's Results of Operations for the year ended December 31, 2022 compared to the year ended December 31, 2021

The below table sets forth the TIM Group's separate consolidated income statement for the year ended December 31, 2022 and December 31, 2021.

(€m)	For the year ended December 31,	
	2022	2021
Revenues	**15,788**	**15,316**
Other income	213	272
Total operating revenues and other income	**16,001**	**15,588**
Acquisition of goods and services	(7,239)	(6,550)
Employee benefits expenses	(3,180)	(2,941)
Other operating expenses	(816)	(1,502)
Change in inventories	22	10
Internally generated assets	559	475
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**5,347**	**5,080**
of which: impact of non-recurring items	*(682)*	*(1,143)*
Depreciation and amortization	(4,777)	(4,490)
Gains (losses) on disposals of non-current assets	36	1
Impairment reversals (losses) on non-current assets	—	(4,120)
Operating profit (loss) (EBIT)	**606**	**(3,529)**
of which: impact of non-recurring items	*(682)*	*(5,263)*
Share of losses (profits) of associates and joint ventures accounted for using the equity method	23	38
Other income (expenses) from investments	206	126
Finance income	1,115	1,124
Finance expenses	(2,538)	(2,274)
Profit (loss) before tax from continuing operations	**(588)**	**(4,515)**
of which: impact of non-recurring items	*(490)*	*(5,144)*
Income tax expense	(2,066)	(3,885)
Profit (loss) from continuing operations	**(2,654)**	**(8,400)**
Profit (loss) from Discontinued operations/Non-current assets held for sale	**—**	**—**

Profit (Loss) for the year	**(2,654)**	**(8,400)**
of which: impact of non-recurring items	*(2,437)*	*(8,653)*
Attributable to:		
Owners of the Parent	**(2,925)**	**(8,652)**
Non-controlling interests	271	252

Non-Recurring Events

The TIM Group's results of operations as of and for the year ended December 31, 2022 and the year ended December 31, 2021 were significantly impacted by 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 presented because their amount is significant.

Specifically, non-recurring events for the year ended December 31, 2022, included the following:

- €572 million in employee benefits expenses mainly relating to outgoing managerial and non-managerial staff in connection with the Corporate Reorganization and Restructuring Process;

- €56 million mainly for non-recurring expenses associated with agreements and the development of corporate transformation and expansion projects in Italy and Brazil;

- €77 million of other operating expenses primarily as provisions for disputes, settlements, regulatory sanctions and potential liabilities related to them (including a €41 million provision for onerous contracts relating to a multi-year agreement entered into in the year ended December 31, 2021, which committed the TIM Group to minimum purchases, the total estimated cost of which, for the residual duration of the agreement, became apparent in the year ended December 31, 2022); and

- €23 million in income for recovery of operating expenses.

Net non-recurring events for the year ended December 31, 2021, included the following:

- €4,120 million for the impairment loss on Goodwill attributed to the Domestic Business Unit. The impairment test was performed by referring to the flows of the 2022-2024 Industrial Plan (as described in "*Summary—The TIM Group's Strategy*") and the projections up to 2026 of the domestic market in its current conditions and using a discount rate updated to the financial market conditions as of December 31, 2021. The 2022-2024 Industrial Plan is based on the results of the 2021 final accounting and reflects expectations on future developments and outlines all the actions to create value for the shareholders. The year showed an impairment loss, which is attributed entirely to goodwill;

- €735 million in other operating expenses, mainly comprising provisions made for disputes, transactions, regulatory sanctions and related potential liabilities as well as expenses connected with the COVID-19 pandemic (primarily provisions made as a to account for the worsening of expected credit losses of corporate customers as a result thereof). Other operating expenses – Sundry expenses and provisions included, among other items, €548 million 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 existing partnerships;

- €367 million in employee benefit expenses mainly connected with business reorganization and restructuring processes following the application of Article 4 of Italian Law No. 92 of June 28, 2012, and per the agreement entered into between certain TIM Group companies and certain trade union organizations on March 21, 2023;

- €50 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; and

- €8 million in net income for adjustments to revenues and the recovery of operating expenses.

Revenue

For the year ended December 31, 2022, the TIM Group generated total revenue of €15,788 million, a 3.1% increase compared to €15,316 million for the year ended December 31, 2021 driven by an increase in revenue generated by the Brazil Business Unit. Excluding revenues from the Oi Group mobile business, acquired in Brazil during 2022, consolidated revenues for the year ended December 31, 2022 would have amounted to €15,640 million.

The following table sets forth the TIM Group's revenue by business unit for the years ended December 31, 2022 and December 31, 2021, respectively:

(€m)	For the year ended December 31, 2022	2021
Domestic	11,858	12,505
Brazil	3,963	2,840
Other Operations	—	—
Adjustments and eliminations	(33)	(29)
Consolidated Total	**15,788**	**15,316**

Domestic Business Unit

For the year ended December 31, 2022, revenue from the Domestic Business Unit amounted to €11,858 million, a decrease of €647 million or 5.2% compared to the year ended December 31, 2021.

For the year ended December 31, 2022, revenue from stand-alone services amounted to €10,799 million, a decrease of €384 million or 3.4% compared to the year ended December 31, 2021, primarily due to the impact of increasing competition on the TIM Group's customer base, as well as reduction in ARPU levels. See "*—Key Factors Affecting the TIM Group's Results of Operations and Their Comparability—Competition and Pricing.*" In organic terms, revenues from stand-alone services for the year ended December 31, 2022 decreased by €422 million or 3.8% compared to the year ended December 31, 2021.

More specifically, for the year ended December 31, 2022, revenue from stand-alone market services amounted to €8,276 million in organic terms, with a negative change of 3.8% compared to the year ended December 31, 2021, mainly due to the decrease in accesses and ARPU levels and the presence in 2021 of non-recurring transactions in the Wholesale segment, partly offset by the growth in revenues from ICT solutions which, for the year ended December 31, 2022, increased by €308 million or 22.7% compared to the year ended December 31, 2021.

Revenues from stand-alone Mobile services for the year ended December 31, 2022 decreased by €91 million or 2.9% to €3,060 million compared to the year ended December 31, 2021, mainly due to the reduction in the TIM Group's customer base connected with Human lines and ARPU levels.

For the year ended December 31, 2022, revenue for Handset and Bundle & Handset, including the change in work in progress, amounted in organic terms to €1,059 million, a decrease of €263 million compared to the year ended December 31, 2021, largely attributable to the performance of the fixed retail segment.

Revenue for the year ended December 31, 2022 include approximately €50 million relating to a portion of the commercial agreement signed in 2022 by TIM and FiberCop with Open Fiber, which required Open Fiber to purchase from FiberCop, in White Areas, the IRU for overhead infrastructure and access connections to customer homes.

The table below breaks down the Domestic Business Unit revenue by operating segment for the year ended December 31, 2022 and December 31, 2021, respectively:

(€m)	For the year ended December 31, 2022	2021
Consumer(*)	4,736	5,263
Business	4,144	4,117
Wholesale National Market(*)	1,948	2,107

Wholesale International Market	992	1,008
Other & Eliminations	38	10
Consolidated Total	**11,858**	**12,505**

(*) Data for Consumer and Wholesale National Market segments differ from those published in the 2021 Consolidated Financial Statements due to reclassifications to such segments caused by organizational changes in the year ended December 31, 2022. In particular, monthly revenue streams related to Mobile Virtual Network Operator (MVNOs) were reclassified from Consumer segment to National Wholesale Market segment.

Consumer: For the year ended December 31, 2022, revenue generated by the TIM Group's Consumer segment amounted to €4,736 million, a decrease of €527 million or 10.0% year on year, primarily due to the challenging competitive dynamics in the consumer market. Revenue from services, which amounted to €4,231 million for the year ended December 31, 2022, and which decreased by €339 million or 7.4% compared to the year ended December 31, 2021, were similarly affected.

Revenue from mobile services for the year ended December 31, 2022 amounted to €1,885 million, a decrease of €120 million or 6.0% compared to the year ended December 31, 2021, in large part due to the impact of the prevalent competitive market dynamics. Although call volume reductions lessened, revenue from traffic decreased due to the progressive reduction of interconnection tariffs.

Revenue from fixed services amounted to €2,369 million for the year ended December 31, 2022, a decrease of €231 million or 8.9% compared to the year ended December 31, 2021, primarily due to lower ARPU levels and a smaller customer base, which in 2021 benefited from government incentive programs such as voucher recognition for ISEE incomes below €20,000, partially offset by growth in Ultrabroadband customers.

Revenue for Handsets and Bundles & Handsets in the Consumer segment for the year ended December 31, 2022 amounted to €505 million, a decrease of €188 million or 27.1% compared to the year ended December 31, 2021, mainly due to the end of the phase 1 voucher program, with a reduction of sales of PCs and tablets.

Business: Revenue generated by the Business segment for the year ended December 31, 2022 amounted to €4,144 million, an increase of €27 million or 0.6% compared to the year ended December 31, 2021. Total mobile revenues and revenues from stand-alone services for the year ended December 31, 2022 each remained stable compared to the year ended December 31, 2021. Total fixed revenue for the year ended December 31, 2022 increased by €27 million or 0.8% compared to the year ended December 31, 2021. Revenue from services grew by 3.4%, mainly driven by the increase in revenues from ICT services.

Wholesale National Market: The Wholesale National Market segment revenue for the year ended December 31, 2022 reached €1,948 million, a decrease of €159 million or 7.6% compared to the year ended December 31, 2021. This decrease was mainly driven by non-recurring transactions in the year ended December 31, 2021.

Wholesale International Market: Wholesale International Market revenue for the year ended December 31, 2022 amounted to €992 million, a decrease of €16 million or 1.6% compared to the year ended December 31, 2021, mainly due to the decrease in one-off events, partially offset by a growth in recurring data revenues (with high margins) and flanked by the TIM Group's strategy to rationalize voice revenue.

Other & Eliminations: Other & Eliminations revenue for the year ended December 31, 2022 amounted to €38 million compared to €10 million the year ended December 31, 2021, a decrease of €28 million compared to the year ended December 31, 2021.

Brazil Business Unit

For the year ended December 31, 2022, the TIM Group's Brazil Business Unit generated revenue of €3,963 million, an increase of €1,123 million compared to €2,840 million for the year ended December 31, 2021. Excluding revenues from the mobile business of the Oi Group (Cozani, acquired on April 20, 2022), revenue for the year ended December 31, 2022 would have amounted to €3,816 million.

The increase has been primarily due to service revenues that for the year ended December 31, 2022 amounted to €3,828 million, an increase of 19% compared to €3,216 million for the year ended December 31, 2021, with mobile service revenues growing 19.8%. This performance is mainly related to the continuous recovery of the pre-paid and post-paid segments. Revenue from fixed services for the year ended December 31, 2022 grew by 7.6% compared to the year ended December 31, 2021, due in large part to the growth rate of TIM Live.

Revenue from product sales for the year ended December 31, 2022 amounted to €129 million compared to €88 million for the year ended December 31, 2021.

Other Income

For the year ended December 31, 2022, other income decreased to €213 million from €272 million for the year ended December 31, 2021. This decrease was primarily due to the decrease in special training income of €66 million which, in the year ended December 31, 2021, included repayments valued for the hours of training delivered during the year.

Acquisition of Goods and Services

For the year ended December 31, 2022, acquisition of goods and services amounted to €7,239 million, compared to €6,550 million for the year ended December 31, 2021. This is comprised of increases in the Brazil Business Unit of €525 million (including an exchange gain of €175 million) and in the Domestic Business Unit of €163 million, in each case compared to the year ended December 31, 2021.

Employee Benefits Expenses

For the year ended December 31, 2022, the employee benefits expenses amounted to €3,180 million compared to €2,941 million for the year ended December 31, 2021. The increase of €239 million was mainly driven by expenses linked to outgoing managerial and non-managerial staff, greater costs associated with exchange rate fluctuations, the local salary dynamics of the Brazil Business Unit, partially offset by reductions in ordinary employee expenses, mainly due to the savings associated with the reduction in the average salaried employees.

Other Operating Expenses

For the year ended December 31, 2022, other operating expenses decreased to €816 million, from €1,502 million for the year ended December 31, 2021. The reduction is mainly attributable to the Domestic Business Unit, in which other operating expenses decreased by €767 million, partly offset by the increase in costs relating to the Brazil Business Unit of €85 million, including a positive exchange effect for €48 million.

The non-recurring items for the year ended December 31, 2022 amounted to €77 million, mainly due to provisions for disputes, transactions, regulatory sanctions and related potential liabilities.

In the year ended December 31, 2021, non-recurring items amounted to €735 million and mainly related to provisions made for disputes, transactions, regulatory sanctions and related potential liabilities as well as expenses connected with the COVID-19 pandemic and provisions made as a consequence of the worsening of expected credit losses of corporate customers, connected with the expected evolution of the pandemic.

Internally Generated Assets

For the year ended December 31, 2022, internally generated assets increased to €559 million, from €475 million for the year ended December 31, 2021, primarily due to increased capitalization of labor costs relating to design, construction and testing of network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

EBITDA

For the year ended December 31, 2022, the TIM Group's EBITDA amounted to €5,347 million, a 5.3% increase compared to €5,080 million for the year ended December 31, 2021. Excluding the results of the Oi Group mobile business acquired in Brazil, consolidated EBITDA for the year ended December 31, 2022 would amount to €5,238

million. EBITDA for the year ended December 31, 2022 was impacted by non-recurring items in the amount of €682 million, whilst for the year ended December 31, 2021, the total impact of €1,144 million primarily comprised non-recurring items, of which €26 million related to the COVID-19 pandemic in Italy.

The table below sets forth the TIM Group's EBITDA by business unit for the year ended December 31, 2022 and the year ended December 31, 2021, respectively:

	For the year ended December 31,	
(€m)	**2022**	**2021**
Domestic	3,519	3,730
% of Revenues	*29.7*	*29.8*
Brazil	1,839	1,362
% of Revenues	*46.4*	*48.0*
Other Operations	(12)	(12)
Adjustments and eliminations	*1*	—
Consolidated Total	**5,347**	**5,080**

Domestic Business Unit

EBITDA generated by the Domestic Business Unit for the year ended December 31, 2022 amounted to €3,519 million, a decrease of €211 million or 5.7% for the year ended December 31, 2021.

Brazil Business Unit

EBITDA attributable to the Brazil Business Unit for the year ended December 31, 2022 was €1,839 million, a 35.0% increase compared to €1,362 million for the year ended December 31, 2021. For the year ended December 31, 2022, EBITDA reflected non-recurring charges of €24 million, mainly related to the development of non-recurring projects and the corporate reorganization processes.

Depreciation and Amortization

For the year ended December 31, 2022, depreciation and amortization amounted to €4,777 million, compared to €4,490 million for the year ended December 31, 2021, primarily impacted by an increase in the amortization of rights of use assets in the year ended December 31, 2022.

Impairment reversals (losses) on non-current assets

For the year ended December 31, 2022, impairment reversals (losses) on non-current assets amounted to nil, compared to negative €4,120 million for the year ended December 31, 2021, which related primarily to goodwill impairment loss attributed to the Domestic Business Unit.

Operating profit (loss) (EBIT)

For the year ended December 31, 2022, Operating profit (loss) (EBIT) amounted to €606 million compared to negative €3,529 million for the year ended December 31, 2021.

Share of losses (profits) of associates and joint ventures accounted for using the equity method

Share of losses (profits) of associates and joint ventures accounted for using the equity method decreased to €23 million for the year ended December 31, 2022, from €38 million for the year ended December 31, 2021.

Other income (expenses) from investments

For the year ended December 31, 2022, other income (expenses) from investments amounted to €206 million compared to €126 million for the year ended December 31, 2021, mainly due to (i) a net capital gain of €171 million 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 INWIT; and (ii) a net capital gain of €33 million connected with the October 2022 sale of the equity investment in Satispay.

Finance income and expenses

For the year ended December 31, 2022, finance income (expenses) reflected a net expense of €1,423 million, compared to €1,150 million for the year ended December 31, 2021. The increase was due to the increased debt exposure of the IFRS 16 lease component in Brazil following the acquisition of Oi and, to a lesser extent, due to interest rate dynamics in Europe.

Income tax expenses

For the year ended December 31, 2022, income tax expense amounted to €2,066 million, compared to €3,885 million for the year ended December 31, 2021. This increase mainly reflects the impact of exercising the revocation option of the realignment of goodwill, resolved by the Board on November 9, 2022, as permitted by the Italian government budget law for the year ended December 31, 2022 (i.e. Italian Law No. 234 of December 30, 2021) and as detailed in the Provision of the Revenue Agency Manager, published on September 29, 2022.

Profit (loss) for the year

For the year ended December 31, 2022, loss for the year was €2,654 million compared to loss for the year of €8,400 million for the year ended December 31, 2021. The reasons for this decrease are disclosed in the foregoing sections.

Liquidity and Capital Resources

The TIM Group's principal sources of liquidity are cash flows generated by its operating activities and its sustainability-linked revolving credit facility, for any requirements not covered by the operating cash flow generated. As of December 31, 2023, the TIM Group's liquidity margin amounted to €8,965 million, comprising cash and cash equivalents of €2,912 million and committed but undrawn amounts under the TIM Group's sustainability-linked revolving credit facility of €4,000 million.

The TIM Group's most significant financial obligations are its debt obligations. As of December 31, 2023, the TIM Group's consolidated gross financial debt was €32,636 million.

Provided below is an overview of the TIM Group's outstanding debt securities as of December 31, 2023:

Issuer	Currency	Aggregate Principal Amount	Coupon / Margin	Maturity Date
TIM S.p.A[(1)].	Euro	450	3.625%	January 19, 2024
TIM S.p.A.[(2)]	Euro	950	4.000%	April 11, 2024
TIM S.p.A.	USD	1,500	5.303%	May 30, 2024
TIM S.p.A.	Euro	1,000	2.750%	April 15, 2025
TIM S.p.A.	Euro	1,000	3.000%	September 30, 2025
TIM S.p.A. [(3)]	Euro	750	2.875%	January 28, 2026
TIM S.p.A. [(3)]	Euro	1,000	3.625%	May 25, 2026
TIM S.p.A. [(3)]	Euro	1,250	2.375%	October 12, 2027
TIM S.p.A. [(3)]	Euro	1,250	6.875%	February 15, 2028
TIM S.p.A. [(3)]	Euro	1,500	7.875%	July 31, 2028
TIM S.p.A. [(3)]	Euro	1,000	1.625%	January 18, 2029
TIM S.p.A. [(3)]	Euro	670	5.250%	March 17, 2055
Telecom Italia Finance[(3)] [(4)]	Euro	1,015	7.750%	January 24, 2033
Telecom Italia Capital[(3)] [(4)]	USD	1,000	6.375%	November 15, 2033
Telecom Italia Capital[(3)] [(4)]	USD	1,000	6.000%	September 30, 2034
Telecom Italia Capital[(3)] [(4)]	USD	1,000	7.200%	July 18, 2036
Telecom Italia Capital[(3)] [(4)]	USD	1,000	7.721%	June 4, 2038
TIM S.A.	BRL	1,600	IPCA+4.168%	June 15, 2028
TIM Brasil Serviços e Participações S.A.	BRL	5,000	CDI+2.3%	July 25,2028

(1) Repaid in full at maturity on January 19, 2024.

(2) Repaid in full at maturity on April 11, 2024.

(3) Original Notes part of the Exchange Offers.

(4) Guaranteed by TIM S.p.A.

The following tables present the maturity profile of the TIM Group's debt securities and loans from financial institutions as of December 31, 2023, without giving effect to the Transactions, including the Original Notes:

	Maturing by December 31,					
(€m)	**2024**	**2025**	**2026**	**2027**	**2028**	**Beyond 2028**
Bonds	2,867	2,220	1,970	1,470	3,214	18,046
Loans and other financial liabilities	982	1,080	1,588	423	2,040	6,026
Finance lease liabilities	751	612	578	537	471	5,494
Total	**4,600**	**3,912**	**4,136**	**2,430**	**5,725**	**29,566**
Current financial liabilities	1,377	—	—	—	—	1,377
Total	**5,977**	**3,912**	**4,136**	**2,430**	**5,725**	**30,943**

Selected Consolidated Cash Flow Data

The table below sets forth the selected consolidated cash flow data for the years ended December 31, 2023, 2022 and 2021, respectively:

	For the year ended December 31,		
Net Cash Flows (€m)	**2023**	**2022**	**2021**
Cash flows from (used in) operating activities	3,944	4,895	4,336
Cash flows from (used in) investing activities	(4,149)	(5,335)	(5,117)
Cash flows from (used in) financing activities	(456)	(2,869)	3,164
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	-	-	-
Aggregate cash flows	**(661)**	**(3,309)**	**2,383**
Net cash and cash equivalents at beginning of the period	3,555	6,904	4,508
Net cash and cash equivalents at end of the period	**2,912**	**3,555**	**6,904**

Year Ended December 31, 2023 compared to the Year Ended December 31, 2022

For the year ended December 31, 2023, the TIM Group recorded net cash and cash equivalents at the end of the period of €2,912 million, compared to €3,555 million for the year ended December 31, 2022.

Cash flows from (used in) operating activities:

Cash flows from (used in) operating activities decreased to €3,944 million for the year ended December 31, 2023 compared to €4,895 million for the year ended December 31, 2022, primarily due to a decrease in change in employee benefit funds, which amounted to negative €291 million for the year ended December 31, 2023 compared to positive €156 million for the year ended December 31, 2022.

Cash flows from (used in) investing activities:

Cash flows from (used in) investing activities decreased for the year ended December 31, 2023, amounting to negative €4,149 million, compared to negative €5,335 million for the year ended December 31, 2022 mainly due to a decrease in change in financial receivables and other financial assets (excluding active hedging and non-hedging derivatives).

Cash flows from (used in) financing activities:

Cash flows from (used in) financing activities decreased to negative €456 million for the year ended December 31, 2023, compared to cash flows from financing activities of negative €2,869 million for the year ended December 31, 2022, primarily as a result of an increase in incurrence of non-current financial liabilities (including current portion).

Year Ended December 31, 2022 compared to the Year Ended December 31, 2021

For the year ended December 31, 2022, the TIM Group recorded net cash and cash equivalents at the end of the period of €3,555 million, compared to €6,904 million for the year ended December 31, 2021.

Cash flows from (used in) operating activities:

Cash flows from (used in) operating activities increased to €4,895 million for the year ended December 31, 2022 compared to €4,336 million for the year ended December 31, 2021, primarily due to an improvement in losses from continuing operations, which amounted to negative €2,654 million for the year ended December 31, 2022 compared to negative €8,400 million for the year ended December 31, 2021.

Cash flows from (used in) investing activities:

Cash flows from (used in) investing activities was flat for the year ended December 31, 2022, amounting to negative €5,335 million, compared to negative €5,117 million for the year ended December 31, 2021. For the year ended December 31, 2022, greater purchases of assets on a cash basis and acquisition of control of companies and other businesses, net of cash acquired (negative €6,305 million and negative €1,316 million, respectively, for the year ended December 31, 2022) were offset by cash flows from proceeds from sales of subsidiaries or other businesses of €1,278 million.

Cash flows from (used in) financing activities:

Cash flows used in financing activities decreased to negative €2,869 million for the year ended December 31, 2022, compared to cash flows from financing activities of €3,164 million for the year ended December 31, 2021, primarily as a result of a decline in proceeds from non-current financial liabilities year on year, combined with higher repayments of non-current financial liabilities.

Capital Expenditures and Expenses for Mobile Telephone Licenses/Spectrum

The table below sets forth the capital expenditures and expenses for mobile telephone licenses/spectrum by operating segment for the years ended December 31, 2023, 2022 and 2021, respectively:

	For the year ended December 31		
(€m)	**2023**	**2022**	**2021**
Domestic	3,148	3,207	3,377
Brazil	834	870	1,253
Other Operations	—	—	—
Adjustments and eliminations	—	—	—
Consolidated Total	**3,982**	**4,077**	**4,630**
% of Revenues	24.4	25.8	30.2

Year Ended December 31, 2023 compared to the Year Ended December 31, 2022

Capital expenditures and expenses for mobile telephone licenses/spectrum for the year ended December 31, 2023, amounted to €3,982 million compared to €4,077 million for the year ended December 31, 2022.

Domestic Business Unit

For the year ended December 31, 2023, the Domestic Business Unit's capital expenditures and expenses for mobile telephone licenses/spectrum decreased to €3,148 million, from to €3,207 million for the year ended December 31, 2022, mainly due to the completion by Noovle during 2022 of the regions associated with the partnership with Google.

Brazil Business Unit

For the year ended December 31, 2023, the Brazil Business Unit's capital expenditures and expenses for mobile telephone licenses/spectrum decreased to €834 million, from €870 million for the year ended December 31, 2022. Excluding the impact due to exchange rate fluctuations in an amount of more than €6 million, capital expenditures decreased by €42 million compared to the 2022. The reduction was due to lower investments associated with the integration of the Oi group's activities and the 4G network, but partially offset by the acceleration of investments in 5G technology and the continuous expansion of FTTH-UltraFibra technology.

Year Ended December 31, 2022 compared to the Year Ended December 31, 2021

Capital expenditures and expenses for mobile telephone licenses/spectrum for the year ended December 31, 2022, were €4,077 million compared to €4,630 million for the year ended December 31, 2021.

Domestic Business Unit

For the year ended December 31, 2022, the Domestic Business Unit's capital expenditures and expenses for mobile telephone licenses/spectrum decreased to €3,207 million, from to €3,377 million for the year ended December 31, 2021, mainly due to streamlining and prioritization of spending. A significant portion of capital expenditures and expenses for mobile telephone licenses/spectrum for the year ended December 31, 2022 was intended for the development of FTTC/FTTH networks (including €80 million for the acquisition of telecommunications licenses).

Brazil Business Unit

For the year ended December 31, 2022, the Brazil Business Unit's capital expenditures and expenses for mobile telephone licenses/spectrum decreased to €870 million, from €1,253 million for the year ended December 31, 2021. Excluding the impact of changes in exchange rates in an amount of €211 million, for the year ended December 31, 2022, capital expenditures and expenses for mobile telephone licenses/spectrum decreased by €594 million. More specifically, capital expenditures and expenses for mobile telephone licenses/spectrum for the year ended December 31, 2021 included the acquisition of frequencies for 5G services in an amount of €564 million. Technological investments represented 91% of total capital expenditures and expenses for mobile telephone licenses/spectrum and were mainly driven by the TIM Group's goal to achieve complete mobile broadband of Brazilian municipalities, the significant coverage of capitals with new 5G SA technology and the completion of Oi infrastructure integration. Besides mobile core business expansion, the TIM Group continued to develop the Ultrabroadband residential business with FTTH technology (UltraFibre).

Off Balance Sheet Arrangements

The TIM Group is not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources, other than as disclosed herein or in the notes to the TIM Audited Consolidated Financial Statements.

Post-Balance Sheet Date Events

For a description of material post-balance sheet date events, see "*Summary—Recent Developments*" included elsewhere in this Exchange Offer Memorandum.

Quantitative and Qualitative Disclosures about Market Risk

The TIM Group is exposed to market risks relating to fluctuations in interest rates and exchange rates in the markets in which it operates or have bond issues, mainly in Europe, the United States, United Kingdom and Latin America.

Credit Risk

The TIM Group does not have significant concentrations of credit risk. Credit risk of the TIM Group consists of possible losses that could arise from the failure of either commercial or financial counterparties to fulfil their assumed

obligations, due to general economic and financial factors, the potential occurrence of specific insolvency situations of some borrowers and other more strictly technical-commercial or administrative factors.

Provision charges for bad debts are recorded for specific credit positions that have an element of individual risk. For credit positions that do not have such characteristics, provision charges are recorded by customer segment according to the average inability to collect estimated on the basis of statistics.

Liquidity Risk

The TIM Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasted and actual cash flows and by matching the maturity profiles of financial assets and liabilities. As the majority of its external debt is issued and managed centrally, the TIM Group has a significant amount of control and visibility over the payments required to satisfy obligations under the various tranches of its existing debt.

Additionally, as of December 31, 2023, the TIM Group had access to its sustainability-linked revolving credit facility, which provides for borrowings of up to €4,000 million (which is fully undrawn) to cover any liquidity needs not met by operating cash flow generation. See "—*Liquidity and Capital Resources.*"

Interest Rate and Related Risk

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not the TIM Group's earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until the TIM Group would be required to refinance such debt at maturity. In addition, the TIM Group is exposed to the interest rate risk on the portion of its consolidated gross debt that is index-linked to floating rates. The decision to maintain a certain debt structure at fixed and floating rates aims at minimizing the negative impact of the interest paid and is partially achieved through the use of derivatives, through which fixed-rate liabilities are synthetically converted into variable-rate instruments. For additional information regarding the rates applicable to the TIM Group's outstanding indebtedness, please see "—*Liquidity and Capital Resources.*"

Foreign Currency Risk

The TIM Group's business is exposed to fluctuations in currency exchange rates. The TIM Group generally hedge its foreign exchange exposure, but usually does not cover the risk of transfer relating to its foreign subsidiaries. Movements in exchange rates of the Euro relative to other currencies (in particular BRL) may adversely affect its consolidated results. A rise in the value of the euro relative to other currencies in certain countries in which the TIM Group operates or has made investments will reduce the relative value of the revenues or assets of its operations in those countries and, therefore, may adversely affect its operating results or financial position. The TIM Group also conduct, and will continue to conduct, transactions in currencies other than its primary transactional currencies, particularly in U.S. dollars. In addition, the TIM Group has raised, and in the future may raise in an increasing proportion, financing in currencies other than the Euro, principally U.S. dollars and BRL. According to the TIM Group's policies, hedging of the exposure in foreign currencies relating to the financial liabilities is mandatory. Indeed, the TIM Group has entered into certain hedging transactions to manage its foreign currency and interest rate risks. These include interest rate swaps ("**IRS**") to reduce interest rate exposure on fixed-rate and variable-rate bank loans and bonds, as well as cross currency and IRS to convert the bonds secured in different foreign currencies to its operational currency. For details regarding the TIM Group's outstanding derivative instruments, see Note 18 (Financial Risk Management) and Note 17 (Derivatives) to the 2023 TIM Audited Consolidated Financial Statements Note 18 (Financial Risk Management) and Note 17 (Derivatives) to the 2022 TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum.

Critical Accounting Policies, Judgments and Estimates

For details regarding critical accounting policies, judgments and estimates, see Note 2 to each of the 2023 TIM Audited Consolidated Financial Statements and the 2022 TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum.

Related Party Transactions

Other than as disclosed in this Exchange Offer Memorandum and in the notes to the TIM Audited Consolidated Financial Statements, the TIM Group did not have any material transactions with related parties during the years ended December 31, 2023 and 2022 and 2021. See "*Certain Relationships and Related Party Transactions of the TIM Group.*"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF PRO FORMA CARVE OUT FINANCIAL INFORMATION AND RESULTS OF OPERATIONS OF NETCO

The following discussion and analysis are intended to assist in providing an understanding of NetCo's pro forma carve-out financial condition, changes in financial condition and results of operations and should be read in conjunction with the NetCo Unaudited Combined Pro Forma Carve-out Financial Information and NetCo Audited Combined Carve-out Financial Information prepared in accordance with IFRS. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with an investment in the Optics Notes. For a description of NetCo Unaudited Combined Pro Forma Carve-out Financial Information and NetCo Audited Combined Carve-out Financial Information, see "Presentation of Financial and Other Information."

Unless the context otherwise requires, the following discussion and analysis as well as references to the "TIM Group" therein reflect the effects and implications of the Transactions as if they had already occurred. See "Business of NetCo" and "—Basis of Presentation" for further information.

In addition to the conventional financial performance measures established by the IFRS, the TIM Group uses certain alternative performance measures to provide a measure of operating results of NetCo excluding certain items that the TIM Group believes are either outside of its recurring operating activities, or items that are non-cash. Excluding such items enables trends in NetCo's operating results and cash flow generation to be more easily observable. The TIM Group believes that the non-IFRS measures are useful to manage and assess the results of operations, make decisions with respect to investments and allocation of resources and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating within NetCo's industry, and thus are a basis for comparability between NetCo and its peers. Such non-IFRS measures are not necessarily comparable to similarly titled measures of other companies. Furthermore, non-IFRS measures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, data prepared in accordance with IFRS. See "Presentation of Financial and Other Information" included elsewhere in this Exchange Offer Memorandum for further details regarding the non-IFRS measures presented in this section.

Basis of Presentation

The pro forma combined income statement of NetCo for the year ended December 31, 2023 and the pro forma combined income statement for the year ended December 31, 2022 have not been audited by outside auditors, consultants or experts and are derived from the NetCo Audited Combined Carve-out Financial Information.

The pro forma combined income statement of NetCo for the year December 31, 2023 was prepared to give effect to the Transactions as if they had been completed on January 1, 2023 and the pro forma combined income statement for the year December 31, 2022 was prepared to give effect to the Transactions as if they had been completed on January 1, 2022.

These pro forma combined income statements of NetCo are based on available information and certain current market-based assumptions that the TIM Group's management believes are reasonable. They are presented for illustrative purposes only and do not purport to represent what the actual results of operations would have been if the events for which the pro forma adjustments had occurred on the dates assumed, nor do they purport to project NetCo's results of operations for any future period or financial condition at any future date. For more information, see "*NetCo Unaudited Combined Pro Forma Carve-out Financial Information*."

Key Factors Affecting NetCo's Results of Operations and their Comparability

NetCo's operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain events and actions. The key factors, among others, affecting the ordinary course of NetCo's business and its results of operations are discussed below.

Development of NetCo's fixed-line network infrastructure

NetCo's business model is capital intensive, requiring significant capital expenditures to develop, maintain, repair, upgrade, protect and replace its existing network. In addition, to remain competitive and meet evolving customer demand, NetCo is required to expand, modernize, and update its fixed-line infrastructure, including activities such as construction, and co-financing of fiber-based network deployment. In the periods under review, NetCo has made significant investments and capital expenditures in building its next-generation fixed-line network infrastructure and remains committed to further developing and future-proofing its network by investing in the latest network technologies.

Italy's topography, population density and lack of cable infrastructure have created ideal conditions for fixed-line network to establish itself. In addition, the market appears to be still underpenetrated in certain areas. See "*NetCo Industry Overview—Overview of the Italian Fixed Broadband market and competitive landscape*." Broadband penetration in Italy is lower than other European Union countries, including France, Germany, and Spain. NetCo's results of operations are affected by the continued development of its infrastructure network, namely: (i) the expansion of its FTTH coverage, particularly in those areas where NetCo has been awarded lots through public tenders and(ii) the development, maintenance, repair, upgrade, protection and replacement of its existing fiber and copper based network to provide seamless connectivity to OAOs.

NetCo monitors and plans the development of infrastructure network across its coverage areas within Italy.

The maintenance and development of NetCo's existing fixed-line network and NetCo's fiber roll out plans affect its results of operations, among others, in the following ways:

- drives revenue growth as the more telecommunication operators and geographic areas NetCo can reach with its broadband and ultrabroadband options, the greater its addressable customer base;

- increases NetCo's operating expenses, particularly related to purchases of materials and devices, maintenance services, independent contractors and other labor costs;

- increases both NetCo's maintenance and growth capital expenditures as well as tangible assets; and

- increases NetCo's current and non-current financial liabilities as certain activities related to development and expansion of its fixed-line network are financed with debt financing arrangements.

NetCo has invested €1,627 million and €1,814 million in capital expenditures for the year ended December 31, 2022 and 2023, respectively.

For further information, please see "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business Activity and Industry—NetCo's business may be adversely affected if it fails to successfully implement its ultrabroadband fixed-line network strategy and objectives*."

Macroeconomic and Geopolitical Developments

NetCo's operations are subject to macroeconomic and geopolitical risks, particularly in Italy, that are outside of NetCo's control. For example, high levels of inflation or sovereign debt, combined with weak growth and high unemployment, could affect the private and public sector spending on, and investment in, telecommunications products and services, leading to weaker demand for such products and services and an increase in the risk of bad debts, leading to fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, heightened levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact NetCo's financial condition. See "*Risk Factors—Risks Related to NetCo—Risks Related to Macroeconomic Conditions Affecting NetCo.*"

For example, NetCo's results of operations in the periods under review have been affected by adverse economic conditions, including as a result of inflationary pressures and increases in interest rates, which have had a negative effect on the overall spending by customers in the telecommunication sector and the demand for NetCo's products

and services in such market. See “*Risk Factors—Risks Related to NetCo—Risks Related to Macroeconomic Conditions Affecting NetCo—The inflationary pressure and rising input and borrowing costs may cause a slowdown in Italy’s employment rate and ultimately in NetCo’s direct customers’ services demand*.”

Small number of customers

NetCo derives a significant portion of its revenue from a limited number of customers, among which includes the TIM Group and other main Italian fixed-line and mobile network operators such as Vodafone, Fastweb, WindTre and Iliad.

NetCo’s results of operations are dependent on these key customers. In particular, demand from these customers may materially affect NetCo’s results of operations. Several factors may affect such demand, including, among others, (i) changes in NetCo’s regulatory framework, (ii) the evolving latency and bandwidth requirements of its key customers and/or (iii) advancements in competing technology (*e.g.*, 5G, LEOS and FWA connectivity). In addition, any major disruption in its business, such as a strike, work stoppage or slowdown or a supply chain problem may affect the quality or reliability of NetCo’s products and services, thereby leading to reduced demand for its products and services and negatively impacting NetCo’s results of operations. Furthermore, any consolidation in NetCo’s customer base may result in pricing pressure, which in turn could negatively contribute to its revenue.

For further information relating to NetCo’s relationships with key customers, see “*Business of NetCo—Material Contracts*,” “*Risk Factors—Risks Related to NetCo—Risks related to NetCo’s Business Activity and Industry—Any deterioration of the financial condition of NetCo’s key customers could adversely affect its results of operations*” and “*Risk Factors—Risks Related to NetCo—Risks related to NetCo’s Business Activity and Industry—Following the successful completion of the Transactions, the TIM Group will become a key customer of NetCo and as such any material deterioration of the TIM Group’s business could negatively affect NetCo’s business, financial condition and results of operations*.”

Regulatory Framework

NetCo’s activities in the fixed telecommunications sector in Italy are governed by a comprehensive and evolving set of rules and regulations at both the European and Italian levels. In addition to general environmental, building, zoning, seismic and fire prevention regulations that apply to NetCo’s infrastructure operations, NetCo must comply with a specific regulatory framework for electronic communication services as established by the European Union and implemented into the Italian legal system. Compliance with this complex regulatory landscape in relation to the vertical integration, has had a significant impact on NetCo’s results of operations prior to the Transactions. For example, applicable cost-orientation obligations have limited NetCo’s discretion in setting prices for certain of its services. See “*NetCo Regulation” and “Risk Factors—Risks Related to NetCo—Risks Related to NetCo’s Business Activity and Industry—To the extent cost-orientation obligations based on the BU-LRIC+ model, as implemented by AGCOM, could be maintained with regard to certain of NetCo’s activities, NetCo’s business, results of operations and financial condition may be adversely affected*.”

Nonetheless, NetCo expects that the consummation of the Transactions will result in certain regulatory reliefs, including the expected recognition as a “wholesale-only” operator. Such recognition is expected to relieve NetCo from cost-orientation pricing constraints, thereby enabling fair and reasonable margins on fiber investments and potentially driving revenue growth. However, it is currently uncertain whether, when and to what extent the relevant authority may grant such recognition.

Ability to win attractive public tenders and to execute them profitably

The Italian regulatory environment is broadly supportive of fiber-based network growth, with the Italian government committed to fostering the expansion of the national telecommunications network infrastructure. This commitment is evidenced by government supports, such as funds made available under the NRRP for “*Italia a 1 Giga*” and “*5G backhauling*” initiatives, aimed at technological advancement within public administration and extending reach to rural areas. See “*NetCo Regulation—The Italian Regulatory Framework—Regulatory levies—Government’s UBB Network State Aid Plans*” and “*Business of NetCo—Business Areas*.”

In the FTTH market, the Italian government typically allocates funds and designates specific zones to a single operator, currently either NetCo or Open Fiber, to guarantee the efficient delivery of services. The allocation of these zones is determined through competitive public tenders. The procurement of such tenders affects NetCo's operating results both in the short and long term. In the short term, NetCo's fiber roll out determines an increase in its overall capital expenditures. However, in the long term, NetCo's results of operations are positively impacted given the ability to generate revenue from the expanded network, benefitting from being the sole operator in the tendered areas. Moreover, the Italian government provides funding to mitigate capital expenditures and other expenses associated with roll out in tendered areas. Conversely, the absence of a tender award precludes NetCo from tapping into these government-allocated funds and, therefore, without these tenders, NetCo faces the inability to expand its network infrastructure in tendered areas, which could lead to a substantial impact on its operating results.

Moreover, when NetCo secures government funding through public tenders, it is obligated to execute its deployment plan in accordance with the specific terms and conditions set forth in the relevant contracts. Non-compliance with these contractual obligations may lead to significant penalties, including the possibility of the government reducing, withholding, or demanding repayment of the awarded funds. Accordingly, NetCo is required to precisely estimate resources and costs when competing in such tenders. Any reduction in NetCo's access to public funds may increase its operational costs. In addition, NetCo may face difficulties in securing alternative financing. This may determine a delay in its roll out plan and affect its operating results. See "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business Activity and Industry—NetCo's business may be adversely affected if it fails to successfully implement its ultrabroadband fixed-line network strategy and objectives*."

Competition and Pricing

During the periods under review the pricing pressure affecting NetCo's results of operations has primarily come from Open Fiber, however there is no assurance that such pricing pressure may not increase in the future, including from FWA and mobile network operators, thereby materially and further affecting NetCo's results of operations. See "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business Activity and Industry,*" "*Business of NetCo*" and "*NetCo Industry Overview.*" Given the competitive dynamics and the prevalent macroeconomic environments in Italy, during the periods under review, NetCo has introduced pricing mechanisms for adjusting its product and service offerings to account for increased costs, primarily associated with heightened inflation, in order to reduce pressure on cash costs. For a description of the competitive landscape in the key geographies in which NetCo operates, see "*NetCo Industry Overview.*"

Key Income Statement Items

Revenues

Revenues consists of income generated under the Master Services Agreement, the Transitional Services Agreement and from active equipment sales, delivery of broadband and ultrabroadband network access services to wholesale customers as well as provision of other regulated and non-regulated services (i.e. colocation), including adjustments and eliminations.

Other Income

Other income mainly consists of recovery of employee benefit expenses, purchases and services rendered, capital and operating grants, damages, penalties, estimate revisions and other adjustments, income for special training activities and other income.

Acquisition of Goods and Services

Acquisition and goods services are mainly associated with costs related to (i) network access, such as delivery and assurance costs, (ii) energy and fluids, which comprises utilities costs and (iii) maintenance costs, which includes costs of maintenance of the infrastructure.

Employee Benefit Expenses

Employee benefits and expenses primarily consists of ordinary employee expenses.

Internally Generated Assets

Internally generated assets refer to the capitalization of costs relating to network infrastructure and IT systems, as well as software development and development of network solutions, applications and innovative services.

Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)

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

EBITDA is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. The TIM Group believes that this measure is useful to readers of the NetCo Unaudited Combined Pro Forma Carve-out Financial Information as it provides them with a measure of the pro forma operating results which excludes certain items the TIM Group considers outside of NetCo's recurring operating activities, making trends more easily observable and providing information regarding its operating results that allows investors to better identify trends in its financial performance. EBITDA should not be considered as a substitute measure for net income or loss, operating profit, cash flow or other combined income or cash flow data prepared in accordance with IFRS and may not be comparable to similarly titled measures used by other companies. Further, this measure should not be considered as an alternative for operating profit as the effects of depreciation, amortization and impairment excluded from this measure do ultimately affect the operating results, which is also presented within the NetCo Audited Combined Carve-out Financial Information in accordance with IAS 1 (Presentation of Financial Statements).

Depreciation and Amortization, gain (losses) on disposals and impairment reversals (losses) on non-current assets

Depreciation and amortization includes amortization of intangible assets with a finite useful life, depreciation of tangible assets and amortization of rights of use assets.

Impairment reversals (losses) on non-current assets contains impairment reversal and losses on non-current intangible and tangible assets.

Operating profit (loss) (EBIT)

Operating profit (loss) EBIT is calculated to include impairment losses (reversals) on non-current assets, losses (gains) on disposals of non-current assets and depreciation and amortization.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include interest income, interest expenses to banks, interest expenses to others, finance expenses on lease liabilities, commissions and other finance expenses.

Income tax expense

Income tax expense includes all taxes calculated on the basis of a tax rate at 24% for IRES and 4.5% for IRAP.

Profit (Loss) for the year

Profit (Loss) for the year includes profit (loss) for the year from continuing operations and discontinued operations/non-current assets held for sale.

Discussion and Analysis of NetCo's Pro Forma Carve-out Results of Operations for the year ended December 31, 2023 compared to the year ended December 31, 2022

The below table sets forth NetCo's pro forma combined income statement for the year ended December 31, 2023 compared to the year ended December 31, 2022.

Pro Forma Combined Income Statement	**For the year ended December 31,**	
	2023	**2022**
(€m)	(unaudited)	
Revenues	**3,977**	**3,858**
Other income	240	244
Acquisition of goods and services	(959)	(961)
Employee benefits expenses	(1,015)	(1,050)
Other operating expenses/Changes in inventories/Internally generated assets	110	117
EBITDA	**2,353**	**2,208**
Depreciation and amortization/Gains (losses) on disposals and impairment reversals (losses) on non-current assets	(1,573)	(1,535)
Operating profit (EBIT)	**780**	**673**
Finance income (expenses), net	(336)	(239)
Profit before tax from continuing operations	**444**	**434**
Income tax expense	(133)	(130)
Profit from continuing operations	**311**	**304**
Profit for the year	**311**	**304**

Revenues

On a pro forma basis for the year ended December 31, 2023, NetCo generated revenues of €3,977 million, a 3.1% increase compared to €3,858 million for the year ended December 31, 2022. This increase in revenues was mainly driven by higher sales to Open Fiber pursuant to certain agreements for White and Grey Areas as well as an increase in average unit prices partially offset by a reduction in quantities.

Acquisition of goods and services

On a pro forma basis for the year ended December 31, 2023, acquisition of goods and services amounted to €959 million, compared to €961 million for the year ended December 31, 2022. This decrease was primarily related to higher procurement costs for materials supporting certain operational activities as partially offset by lower costs for services and performance. As a percentage of revenues acquisition of goods and services decreased from 24.9% for the year ended December 31, 2022 to 24.1% for the year ended December 31, 2023.

Employee benefits expenses

On a pro forma basis for the year ended December 31, 2023, employee benefits expenses amounted to €1,015 million compared to €1,050 million for the year ended December 31, 2022. The decrease of €35 million was mainly driven by the reduction of FTE employees allocated to the perimeter, following the application of measures provided by the Italian Government and carried out over the course of 2023. As a percentage of revenues employee benefits expenses decreased from 27.2% for the year ended December 31, 2023 to 25.5% for the year ended December 31, 2025.

Other operating expenses, changes in inventories and internally generated assets

On a pro forma basis for the year ended December 31, 2023, other operating expenses, changes in inventories and internally generated assets decreased to €110 million, from €117 million for the year ended December 31, 2022. As a percentage of revenues operating expenses, changes in inventories and internally generated assets decreased from 3.0% for the year ended December 31, 2022 to 2.8% for the year ended December 31, 2023.

EBITDA

On a pro forma basis for the year ended December 31, 2023, NetCo's EBITDA amounted to €2,353 million, a 7.1% increase compared to €2,208 million for the year ended December 31, 2022. This increase was mainly driven by the factors described above and, in particular, the increase in revenues.

Depreciation and amortization, gains (losses) on disposals and impairment reversals (losses) on non-current assets

On a pro forma basis for the year ended December 31, 2023, depreciation and amortization, gains (losses) on disposals and impairment reversals (losses) on non-current assets amounted to negative €1,573 million, compared to negative €1,535 million for the year ended December 31, 2022, primarily impacted by an increase in capital expenditures.

Operating profit (EBIT)

On a pro forma basis for the year ended December 31, 2023, operating profit (EBIT) amounted to €780 million compared to €673 million for the year ended December 31, 2022. This increase was mainly driven by the impact on EBITDA from (i) an increase in revenues, primarily related to higher sales to Open Fiber under certain agreements for White and Grey Areas, and (ii) a reduction in employee benefit expenses due to a decrease in full-time equivalents, which was only partially offset by an increase in depreciation and amortization.

Finance income (expenses)

On a pro forma basis for the year ended December 31, 2023, finance income (expenses) reflected a net expense of €336 million, compared to €239 million for the year ended December 31, 2022. This increase was primarily due to the evolution of EURIBOR, which underpins the interest rates applied to the FiberCop Term Loan (the average interest rate for the year 2023 was 5.5%, representing a year-over-year increase of 3%).

Profit before tax continuing operations

On a pro forma basis for the year ended December 31, 2023, profit before tax continuing operations amounted to €444 million compared to €434 million for the year ended December 31, 2022. This increase was mainly due to the factors mentioned above.

Income tax expense

On a pro forma basis for the year ended December 31, 2023, income tax expense amounted to €133 million, compared to €130 million for the year ended December 31, 2022.

Profit from continuing operations

On a pro forma basis for the year ended December 31, 2023, profit from continuing operations amounted to €305 million compared to €304 million for the year ended December 31, 2022.

Profit for the year

On a pro forma basis for the year ended December 31, 2023, profit for the year was €305 million compared to a profit for the year of €304 million for the year ended December 31, 2022, due to the factors described above.

Liquidity and Capital Resources of NetCo and Optics

Pro Forma Operating Free Cash Flow

No pro-forma statement of cash flows has been prepared for the year ended December 31, 2023, as, under the circumstances, it would not provide useful information to investors. The following table provides a reconciliation of NetCo's Pro Forma EBITDA to Pro Forma Operating Free Cash Flow for the periods presented, which is based on NetCo's pro forma statement of financial position as of December 31, 2023, which is included elsewhere in this

Exchange Offer Memorandum, and on NetCo's statement of financial position as of December 31, 2022, derived from certain unaudited management accounts that are not included in this Exchange Offer Memorandum.

(Pro Forma) **(€m)**	**For the year ended December 31, 2023** (unaudited)
EBITDA	**2,353**
Change in inventories	(11)
Change in trade receivables	(60)
Change in trade payables	217
Change other operating assets / liabilities	2
Change in provision	5
Change in provision for employee benefits	(12)
Capital expenditures	(1,814)
Operating Free Cash Flow(*)	**680**
Lease payments	(370)
Operating Free Cash Flow-AL(*)	**310**

(*) 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 NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

Major variations in the change in working capital are attributed to changes in trade receivables, primarily due to an increase in revenues, and changes in trade payables, primarily due to an increase in capital expenditures.

Liquidity of the Optics Group after the Acquisition Closing Date

Going forward, it is expected that the Optics Group will meet its liquidity needs through cash generated from its operating activities, its €2.0 billion RCF and potential future debt issuances depending on overall market conditions.

As of December 31, 2023, after giving effect to the Transactions, the Optics' Pro Forma Adjusted Net Financial Debt-AL would have been €8,348 million, including (i) €5 billion of Optics Notes (assuming the Initial Exchange is subscribed at the Total Cap amount, with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes ($431 million), respectively (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023) and (ii) €3.5 billion under the Senior Facility Agreement (maturing 60 months after the first utilization date under the Senior Facilities Agreement). If a principal amount of between €4.5 billion and €5.0 billion equivalent (the Total Cap amount) of Original Notes are accepted as part of the Initial Exchange with the Optics Notes issued pursuant to the Acquisition Exchange split by equal principal amount across each series of the EUR Optics Notes (€430 million) and each series of the USD Optics Notes ($431 million) (based on an exchange rate of $1.105 per €1.000 as of December 31, 2023), a drawdown of between €3.5 billion and €4.0 billion under the TLB (dependent on the principal amount of Optics Notes issued pursuant to the Acquisition Exchange). In the event that less than €4.5 billion equivalent principal amount of Original Notes are accepted as part of the Initial Exchange, Optics currently intends to draw amounts under the Bridge Facility Agreement (maturing two years following initial utilization) for each incremental euro or US dollar below €4.5 billion equivalent principal amount of New Notes issued pursuant to the Acquisition Exchange which is required to complete the Acquisition.

See "*Description of Certain Other Financing Arrangements of the Optics Group*." The overall debt maturity profile of Optics will depend on the outcome of the Exchange Offers.

Capital Expenditures

The table below sets forth NetCo's capital expenditures for the years ended December 31, 2023 and 2022, respectively:

(Pro forma)	**For the year ended December 31,**	
(€m)	**2023**	**2022**
	(unaudited)	

Investments in intangible assets	74	128
Investments in property, plant and equipment	1,664	1,438
Investments in right of use assets	76	61
Consolidated Total	**1,814**	**1,627**

For more information see "*NetCo Audited Combined Carve-out Financial Information.*"

NetCo's capital expenditures for the year 2023 include a significant portion aimed at the development of FTTC/FTTH networks. The increase compared to the prior year is particularly due to the projects associated with the NRRP, in detail: capital expenditures for the "Italia1 Giga" project experienced an increase of €330 million, and capital expenditures for "5G Backhauling" initiative saw growth by €85 million. These expansions reflect NetCo's commitment to enhancing digital infrastructure and connectivity across Italy.

Off Balance Sheet Arrangements

As of December 31, 2023, NetCo had provided personal guarantees to certain suppliers of Telenergia and received third-party guarantees mainly relating to Telenergia's contractual obligations towards its suppliers and insurance guarantees and performance bonds associated with the NRRP tenders. New insurance guarantees and performance bonds related to the NRRP tenders may be required if the NRRP advance payments received by TIM at the end of 2023 are later transferred to NetCo (from either TIM or Infratel). For further information, please see "*NetCo Audited Combined Carve-out Financial Information—Other information*" and "*Risk Factors—Risks related to the TIM Group's Financial Information—The pro forma financial information of the TIM Group may not be necessarily representative of the results that the TIM Group would have achieved as a result of the Transactions and may not be a reliable indicator of its future performance.*"

Accounting Policies

The accounting policies adopted in preparing the NetCo Unaudited Combined Pro Forma Carve-out Financial Information are based on the accounting principles applied in the preparation of the TIM Group Audited Consolidated Financial Statements which are in conformity with the IFRS, endorsed by the European Union. See "*Consolidated Financial Statements—NetCo Audited Combined Carve-out Financial Information.*"

BUSINESS OF THE TIM GROUP

This business section includes certain technical terms that are commonly used within the TIM Group's industry. See "Appendix B (Glossary)" for a detailed explanation of these terms. The estimates regarding the TIM Group's market share and relative market share are derived from the TIM Group internal data and certain extrapolations. For more detailed information on the industry in which the TIM Group operates, please see "TIM Group Industry Overview."

The following summary of the TIM Group's business as well as references to the "TIM Group" are as of and for the year ended December 31, 2023. Therefore, unless explicitly stated otherwise or the context otherwise requires, the following summary of the TIM Group's business as well as references to the "TIM Group" do not reflect the effects and implications of the Transactions. See "Summary—The Transactions." This section should be read in conjunction with the TIM Audited Consolidated Financial Statements included elsewhere in this Exchange Offer Memorandum and the notes thereto.

Overview

The TIM Group is one of the leading information and communications technology ("ICT") providers, operating principally in Italy and Brazil. The TIM Group offers mobile and fixed-line telephony products and services to individuals and families for communication and entertainment and digitalization services to small and medium enterprises through a portfolio which is personalized to their needs. As of December 31, 2023, the TIM Group provided 30.1 million mobile lines (including both "human" SIM and Machine to Machine ("M2M")) and 8.0 million fixed-line lines (of which 5.6 million were ultrabroadband) in Italy, and 61.2 million mobile lines in Brazil.

History

The TIM Group, formerly known as Telecom Italia, is a joint-stock company established under Italian law on October 20, 1908.

On July 18, 1997, the predecessor to Telecom Italia was merged with and into Società Finanziaria Telefonica per Azioni ("**STET**"), its parent holding company, with STET as the surviving corporation. As of the effective date of the merger, STET changed its name to "Telecom Italia S.p.A." In November 1997, the Ministry of the Treasury of the Republic of Italy completed the privatization of Telecom Italia, selling substantially all of its stake in the predecessor Telecom Italia Group through a global offering and a private sale to a stable group of shareholders.

In July 1998, as part of the privatization of Telebrás, the Brazilian state-owned telecommunications monopoly, the Federal Government sold substantially all its shares of the twelve holding companies into which Telebrás had initially been broken up. After a series of corporate reorganizations, mergers, acquisitions and name changes, the majority of share capital is currently held, directly and indirectly, by Telecom Italia through its indirectly wholly owned subsidiary, TIM Brasil Serviços e Participações S.A., formed in 2002 as the holding company of Telecom Italia's operating companies in Brazil.

On May 21, 1999, Olivetti obtained control of the predecessor Telecom Italia Group through a tender offer where approximately 52.12% of predecessor Telecom Italia Ordinary Shares were tendered to Olivetti.

On August 4, 2003, the predecessor Telecom Italia merged with and into Olivetti. Olivetti, as the surviving company, changed its name to "Telecom Italia S.p.A."

In 2003, the TIM Group launched its 3G mobile network in Italy, becoming one of the first telecommunications companies in Europe to offer such technology at that time. The launch helped to establish the TIM Group as an innovative leader in the telecommunications industry. On June 30, 2005, Telecom Italia Mobile, a leading mobile telecommunications provider in Italy, merged with and into TIM. The acquisition further strengthened the TIM Group's position in the Italian market, enabling it to offer customers a comprehensive range of telecommunications services.

On November 6, 2023, TIM entered into the Transaction Agreement for the sale of the NetCo Business to Optics. See "—*The Transaction*" for further information.

TIM Group Operations

The TIM Group's business comprises three business units: the Domestic Business Unit, which primarily includes its operations in Italy, the Brazil Business Unit and the Other Operations Business Unit, which includes ancillary operations of the TIM Group (including financial operations). See "*—TIM Group Business Units*" for further information.

Italy

In Italy, the TIM Group offers full-service solutions (including mobile voice, landline voice and fixed broadband), leveraging its own and third party operators' fixed and mobile infrastructure. As of September 30, 2023, the TIM Group held a leading position in Italy across both the fixed broadband and mobile (total SIM) retail markets, with market shares of approximately 40.2% and approximately 27.9%, respectively by number of lines (Source: AGCOM (Communication market monitoring system No. 4/2023)). As of December 31, 2023, the TIM Group's 4G mobile network covered approximately 99% of the population in Italy.

The TIM Group's service offerings include broadband speeds of up to ten gigabytes per second ("**Gbps**"), fully flexible television packages, including streaming services and a wide range of mobile data packages, with speeds of up to 2 Gbps on 5G networks. In 2022, the TIM Group completed the phase-out of its 3G network in Italy, enabling the TIM Group to focus on its ongoing investments in 4G and 5G technologies, which the TIM Group believes are more energy efficient and higher performing in terms of the quality of service offered to its customers. Additionally, as of December 31, 2023, the TIM Group provided approximately 7.2 million fixed line broadband retail accesses in Italy. Further, as of December 31, 2023, the TIM Group also provided approximately 30.1 million mobile lines (including both "human" SIM and M2M) in Italy. The TIM Group also holds the 3.6-3.8 GHz spectrum band and believes that it is well positioned to satisfy the market demand for LTE and 5G services. The TIM Group's 5G spectrum rights, acquired at auction in 2018, will expire in 2037.

In Italy, the TIM Group manages 16 data centers in eight cities (within 50,000 sqm if system rooms and approximately 58 MW available IT power) to guarantee the maximum levels of operation, security and energy efficiency as further certified by highest rankings in industry standards and certifications.

The resilience and sustainability of the TIM Group amidst macroeconomic events and geopolitical uncertainty has been demonstrated, particularly, in light of the COVID-19 pandemic and the Ukraine-Russia conflict. In particular, the TIM Group routinely establishes initiatives in support and in the wake of worldwide crises. In light of the declaration of the state of emergency of the Italian government, resolved by the Italian Council of Ministries on February 28, 2022, aimed at assuring, through to December 31, 2022, aid and assistance to the Ukrainian population on national territory, the TIM Group, among other operators, voluntarily started major solidarity initiatives in support, in particular, of its Ukrainian customers living in Italy, to allow them to communicate free of charge or at special prices with their family members in Ukraine. With the support of the European Commission, on April 8, 2022, TIM also signed a joint declaration, together with other EU and Ukraine operators to provide affordable or zero-rated roaming and international call services between the EU and Ukraine. The joint declaration seeks to provide a more stable context in which to help the Ukrainian evacuees throughout Europe to stay in contact with friends and family.

Brazil

In Brazil, the TIM Group offers mobile voice and data services, broadband Internet access, value-added services and other telecommunications services and products. The TIM Group believes that it is one of the main players and a leader in 5G coverage in the South American communications market, the TIM Group being the only operator in all the Brazilian municipalities. In 2021, the TIM Group completed the phase-out of its 2G network in Brazil. According to ANATEL, as of November 30, 2023, the TIM Group held 24% market share of the Brazilian mobile telecommunications market and approximately 3% market share of the Brazilian fixed-line market. As of December 31, 2023, the TIM Group provided 61.2 million mobile lines in Brazil and its mobile network covered areas in which approximately 99% of the Brazilian urban population lives and works.

Following the acquisition by the TIM Group of Oi Movel S.A. ("**Oi**"), which completed in 2022, the TIM Group has the capacity to leverage the additional infrastructure and spectrum from Oi, together with the opportunity to exchange

4G into 5G investments and to accelerate the migration from FTTC to FTTH to drive network quality in Brazil. As a result of this acquisition, the TIM Group believes that it will have improved scale and new revenue generation opportunities, higher efficiency due to additional spectrum and opportunities to capture value from infrastructure overlap. The TIM Group, with the acquisition of Oi, became the leading player among Brazilian competitors in terms of cities covered, population served and spectrum per client. The TIM Brazilian mobile market share, as of December 31, 2023, was 24%.

TIM Group Operations as a Result of the Implementation of the Delayering Plan

As part of the Delayering Plan, the TIM Group is currently planning the reorganization of its business, which will account for the contribution of the NetCo Business to FiberCop and the sale of TIM's stake in FiberCop and it is expected that the TIM Group will continue to pursue its focused strategy. In line with the Delayering Plan, the resulting business is expected to be classified around three business areas: TIM Enterprise, TIM Consumer and TIM Brasil. The TIM Group believes these new future business areas will more accurately represent the TIM Group's horizontal structure following the successful completion of the Transactions. For a detailed description of the TIM Group's planned new business reshaping, please see "*—The TIM Group's Strategy—Delayering Plan—The new business areas set forth under the Delayering Plan: TIM Enterprise, TIM Consumer and TIM Brasil*."

The TIM Group's Key Strengths

The TIM Group believes that it benefits from the following competitive strengths, some of which will be further strengthened by the successful completion of the Transactions and the implementation of the Delayering Plan:

The TIM Group is a leading player in the Italian telecommunications market and benefits from an improving domestic market environment across the different business units after years of challenging market conditions.

The TIM Group is a leading player in the Italian fixed and mobile retail services and mobile wholesale markets.

While the Italian telecommunications market (in both the fixed and mobile retail segments) has experienced some price pressure as a result of years of competitive tension, due to the elevated number of operators, the mobile and fixed retail markets are now showing clearer signs of market rationality. This translates into lower churn rates and offers opportunities to upsell customers with "more for more" propositions. See "*—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 during the COVID-19 pandemic, as the industry has facilitated valuable activities such as remote working, e-schooling and virtual entertainment.

The Italian broadband market is still underpenetrated and, accordingly, it shows room for further growth. Due to lack of cable infrastructure and difficult morphology, as of December 31, 2023, Very High Capacity Network ("**VHCN**") coverage in Italy was approximately 54% compared to approximately 73% in the European Union, according to the Digital Decade Country Report 2023, issued by the European Commission. This trend suggests that Italy may offer opportunities for further network deployment, particularly fiber roll-out. Following the successful completion of the Transactions, the TIM Group is expected to benefit from this trend in two significant ways. First, through the Master Services Agreement, the TIM Group will have access to NetCo's future deployed fiber network benefitting from the extended duration of the Master Services Agreement. Secondly, by externalizing the NetCo Business and its potential coverage growth, the TIM Group is expected to benefit from a decrease in capital expenditures and a corresponding reduction in associated risks.

In the consumer segment, the TIM Group 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.

In the enterprise segment (which mainly focuses on large enterprises and public administration), relevant drivers for data traffic growth include cloud services, 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, as of September 30, 2023, fixed and mobile data traffic had almost doubled and tripled, respectively, in three years.

The TIM Group also competes in IT services, which, even if such market has been consistently growing in the last years, has historically been, and remains, underpenetrated compared to equivalent markets in other European countries. In the year ended December 31, 2023, the business spending for IT and connectivity services in the Italian market addressable by the enterprise segment was as follows: (i) approximately €3.6 billion (for which the TIM Group addresses approximately 30% of the spending in the serviceable market) spent on IoT, (ii) approximately €4.7 billion (for which the TIM Group addresses approximately 60% of the spending in the serviceable market) spent on cloud services, (iii) approximately €1.8 billion (for which the TIM Group addresses approximately 60% of the spending in the serviceable market) spent on security services; (iv) approximately €2.3 billion (for which the TIM Group approximately 70% of the spending in the serviceable market) spent on traditional connectivity services and (v) approximately €13 billion (for which the TIM Group addresses approximately 56% of the spending in the serviceable market) spent on other IT services and products. 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 digitalization. The TIM Group's ability to foster the digitalization of the country has also passed through the development of strategic innovation programs in the territory, in which TIM has acted effectively as an enabler of open innovation and co-innovation models, through participation in technology transfer centers, such as five public-private partnership state funded Competence Centers. Commitment to innovation allowed TIM to be among the few enterprises representing Italy in the €1.2 billion funds IPCEI project on cloud and Edge computing, awarded by the European Commission during 2023.

The Italian IT services markets are characterized 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 public sector companies. As a result, the TIM Group believes that such dynamics favor local players, thus allowing the TIM Group to capitalize 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 the TIM Group believes makes entering the Italian telecommunications markets more challenging for international players. The TIM Group considers that the growth of its underlying enterprise market is mainly driven by strong ongoing digitalization 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 9% between 2022 and 2026), (ii) cloud services (which is expected to grow by a CAGR of approximately 17% between 2022 and 2026), (iii) security (which is expected to grow by a CAGR of approximately 11% between 2022 and 2026), and (iv) traditional connectivity services which is expected to grow by a CAGR of approximately 1.4% and 0.7% between 2022 and 2026) and other IT services (which is expected to remain substantially stable between 2022 and 2026).

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 modernization 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 fiber and 5G as well as satellite technologies, and simplifies the regulatory framework for their rollout. Under the NRRP, the TIM Group has been awarded approximately €2.9 billion (includes the amount awarded to TIM and the temporary business groups led by TIM), which will allow clear opportunities for the TIM Group in the infrastructure development, digitization and innovation fields. In particular, the TIM Group was awarded two lots under the "connected healthcare" initiative (representing approximately 3,100 healthcare facilities) and four lots under the "connected schools" initiative (representing approximately 5,900 schools). For more information, see "*Regulation of the TIM Group—Regulatory Levies*" and "*Regulation of NetCo—Regulatory Levies.*"

The TIM Group holds a leading market share in Italy in its fixed and mobile retail and enterprise sectors.

The TIM Group benefits from an established leading position across the fixed retail Italian sectors (including voice and fixed broadband) with a 40.2% market share as compared to 15.9%, 14.0%, 13.8% and 3.7% for the next four competitors and 11.4% for the remaining players, as of September 30, 2023. In the mobile market in Italy (including mobile voice and mobile broadband, and including both "human" SIM and M2M), the TIM Group benefitted from a 27.9% market share as compared to 27.2%, 23.7%, 9.7% and 4.1% for the next four competitors and 7.5% for the remaining players, as of September 30, 2023 (Source: AGCOM Communication market monitoring system No. 4/2023). The TIM Group's service offering is a best in class offering 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.

The TIM Group is an ICT player in Italy and benefits from an established position in the Italian IT services market for large enterprise and is uniquely positioned in the public administration segment through the Domestic Enterprise organization and an ICT value proposition based on multiple lines of business (i.e. fixed, mobile, cloud, cyber security, IoT and professional services). The TIM Group is one of the leading ICT providers for large enterprises, serving approximately 33,000 customers. Moreover, the TIM Group holds 47% market share in connectivity services for the large enterprise market (i.e. services needed to provide connections, or unique, active service access points, to the network). This includes voice services and data services as well as M2B network access and human access. A single subscriber may operate several different connections and multiple connections may be associated with one subscriber or one device. The TIM Group also benefits from approximately 8% market share in IT services (i.e. application of business and technical expertise to enable organizations to create, manage and optimize, or access, information and business processes). The IT services market can be segmented by the type of skills that are employed to deliver the service (such as the design, building and operation of services).

The TIM Group is also a leader and has a unique position in the provision of services for public administration, with approximately 25,000 clients and a consolidated market share with respect to connectivity services and IT services in Italy as of December 31, 2023. Consolidating itself as a pioneer company in the country's digital transformation process, the TIM Group has taken on a key role in the implementation of the NRRP, with particular reference to the National Strategic Hub works to which more than 300 public administrations have already adhered, thus representing a fundamental axis in the national strategy for the digitization of the Italian public administration sustained by approximately €2 billion NRRP Mission 1 funds. Moreover, the TIM Group has started the deployment of LTE Public safety mobile services which was awarded to TIM by the Italian Public Security Department in 2022.

The IT service market is characterized by a relatively high compound market share captured by many local players, mainly due to cultural and local commercial complexities, such as language, local regulatory and privacy constraints in most industries (including banking, energy and healthcare) as well as the importance of local relationships and proximity to customers. The TIM Group is one of the largest local players in this highly fragmented market, in which it believes scale increasingly matters, and the TIM Group is able to capitalize on its position as a leading ICT provider to large customers and the public administration segment due to the trust that it has built with, and its proximity to, such customers and its ability to offer converged end-to-end solutions. The TIM Group believes that due to a trend among its customers to reduce operational complexity, compounded by increasing internal ICT skills shortages, by consolidating key partners for telecommunication and data services, cloud, IoT and security, a natural convergence will occur. Accelerated by NRRP, the growth in IT services spend is also driven by the increasingly mission-critical nature of IT Services in business operations which the TIM Group 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.

Following the successful implementation of the Delayering Plan, the TIM Group is expected to further capitalize on its leading positions across its served markets through a highly resilient business model partly due to its ability to offer full-service solutions (including mobile voice, landline voice and fixed broadband) and leverage its own mobile infrastructure, the portion of fixed-line infrastructure which is not included in the NetCo's Business and NetCo's fixed-line infrastructure through the Master Services Agreement. See "*—Summary—The Transactions—Master Services Agreement*" for further information.

The TIM Group has a set of valuable assets, from a top brand, to unique telecommunications and IT infrastructure and know-how and is a dedicated customer service provider.

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

Top Brand and Know-How

The TIM Group benefits from strong brand recognition in the telecommunications industry in Italy, with a brand awareness of approximately 65% and a top-of-mind awareness, to June 2023, at approximately 43% among a consumer target population representative of the broader Italian population according to MPS Research – Brand Image & Reputation Study – June Report. The TIM Group's leading market positions in Italy in fixed and mobile retail and mobile wholesale markets further underscore the strength of its brands among Italian consumers. The TIM Group is also well advertised throughout Italy, partnering with popular music events, key personalities and opinion leaders, such as Matteo Berrettini, Danielle Madam, Christian Vieri, Federica Pellegrini, Marcell Jacobs, Iza and Marcos Mion, in order to maintain its brand positioning across different target groups and industries.

The TIM Group'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, the TIM Group is expected to leverage its extensive and reliable mobile network as well as its future partnership with NetCo 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. See "—*The Transactions—Master Services Agreement*."

Telecommunications and IT Infrastructure

The TIM Group benefits from unique telecommunications and IT infrastructure in Italy. As part of the Delayering Plan, the TIM Group will invest in various technology advancement initiatives which are expected to allow it to possess the most distinctive digital and telecommunication infrastructure in Italy. In particular, as of December 31, 2023, the TIM Group has provided 30.1 million mobile lines (including both "human" SIM and Machine to Machine ("**M2M**")) and 8.0 million fixed-line retail lines (of which 5.6 million were ultrabroadband) in Italy, and 61.2 million mobile lines in Brazil.

Furthermore, following the successful implementation of the Delayering Plan, the TIM Enterprise business area will be an infrastructure-based ICT player in Italy in light of its assets base, which spans from telecommunication assets to the largest proprietary data center footprint in the country, with 16 data centers, of which seven were "top tier," as of December 31, 2023. Over recent years, the TIM Group has deployed significant investments and has developed specific expertise in leading technologies and solutions. The TIM Group expects that the TIM Consumer business area will own a proprietary backbone in strategic areas, with a mobile virtual network operator agreement within the consumer segment, which will guarantee participation in tenders requiring a proprietary backbone and a mobile core network and to offer flexibility to match client requirements.

Customer service

The TIM Group is dedicated to customer service and maintaining strong relationships with its loyal customer base. In particular, the TIM Group has invested considerably in recent years to improve its customer service, which has resulted in better customer experiences and reduced churn rates. These improvements reflect the TIM Group's focus on better services and the shift to a more digital customer service model. High customer satisfaction is further underpinned by the TIM Group's extensive customer data, a unique combination of digital and physical channels service and a reliable customer service platform. Specifically, the TIM Group benefits from a loyal customer base, with on average a continued relationship of over 20 years with its top ten clients. These longstanding relationships are underpinned by its end-to-end solutions and experienced employee base who provide deep institutional knowledge. The TIM Group deploys a significant amount of resources to attract, maintain and train its employees, project managers and digital and technology specialists. The TIM Group 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.

The TIM Group's cutting-edge mobile infrastructure will be further strengthened by the TIM Group's ongoing future-proofing investment program.

The TIM Group's 5G network is among the fastest in Europe in terms of download speed according to Opensignal. The TIM Group's 5G has reached 2,300 municipalities as of December 31, 2023, with service already available in each of them (in Milan, the TIM Group's 5G has reached over 90% coverage), with capex-efficient deployment benefitting from the sharing of network infrastructure with Vodafone. The TIM Group has provided approximately 30.1 million mobile lines (including both "human" SIM and M2M) in Italy as of December 31, 2023. The TIM Group has also entered the world's top 30 companies for having enabled an improvement in the switch from the 4G to the 5G network in terms of download and upload speeds as well as in the spread of videos and gaming experience. Moreover, as of December 31, 2023, the TIM Group's 4G network covered over 99% across Italy, marking the highest level recorded in Italy. Such extensive coverage has been maintained since 2018, following a steady increase from approximately 88% in 2015, approximately 96% in 2016 and approximately 98% in 2017. With this rapid expansion of 4G network coverage, the TIM Group believes that it is well positioned to satisfy the growing market demand for LTE and 5G services.

Future-proofing Investment Program

While the TIM Group has built a market leading, next-generation mobile infrastructure through significant investments over time, it remains committed to further developing and future-proofing its mobile network with the support of NRRP funds by investing in the latest network technologies. In particular, the TIM Group intends to continue updating and expanding its mobile network, which it expects to significantly expand 5G coverage to approximately 90% across Italy by 2025 in line with its 5G 700 MHz licensing obligations and increase its high-speed mobile data capabilities to over 50% of the population with 3.7 GHz. The TIM Group'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 700 MHz, 1x80 MHz in 3.6-3.8 GHz and 1x200 MHz in 26.5-27.5 GHz), further consolidating its leading role in the sector. These 5G spectrum rights expire in 2037. Moreover, in the future, the TIM Group will gradually be able to use its 4G frequencies (including its 800 MHz, 1800 MHz, 2100 MHz and 2400 MHz bands) for 5G.

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

The Brazil Business Unit benefits from next-generation telecommunication infrastructure, driving strong growth, profitability and cash flow generation.

The TIM Group entered the Brazilian market more than 20 years ago. Through the Brazil Business Unit, the TIM Group 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 255 million "human" SIMs and M2M SIMs collectively and, according to Anatel, approximately 47 million fixed lines, as of November 30, 2023. 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 acquisition. The TIM Group believes that it is well positioned to benefit from this growth, underpinned by its acquisition of Oi mobile assets, which completed in 2022. The TIM Group believes that the Brazilian market offers strong growth and expects the Brazil Business Unit 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.

The Brazil Business Unit 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 November 30, 2023, the Brazil Business Unit had approximately a 24% market share of the Brazilian mobile telecommunications market and approximately 3% market share of the Brazilian fixed-line market. The Brazil Business Unit is one of the most profitable group of companies in the Latin American telecommunications market achieving leadership among its peers.

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

The TIM Group is a leading and historically profitable company. On the key profitability metric of Organic EBITDA margin, the TIM Group is among the top performers in the Italian market with an Organic EBITDA margin of approximately 39% for the year ended December 31, 2023, slightly better than comparable European peers with an average Organic EBITDA margin of approximately 37%, according to TIM's management's analysis of publicly reported financial statements.

The TIM Group generated an Organic EBITDA-AL of €5,304 million for the year ended December 31, 2023 and €3,450 million for the year ended December 31, 2023, after giving pro forma effect to the Transactions. See "*Summary Historical Consolidated Financial and Other Information and Pro Forma Carve Out Information of the TIM Group*." Moreover, the TIM Consumer and TIM Enterprise business areas, are expected to benefit from structural resiliency in the Italian market, allowing for increased predictability as well as profitability.

The TIM Group believes that its resilient profitability profile is a direct result of its focus on cost optimization and organizational efficiency, which it expects to be further underpinned by the Transformation Plan (as defined below) as well as a prudent capital expenditure policy. Specifically, the TIM Group's Transformation Plan (as defined below) includes long-term targets regarding savings on labor and external operational capital expenditure, expected to be achieved by accelerating digitalization, simplifying the cost structure and labor and cost optimization. See "*—The TIM Group's Strategy—Transformation Plan*" for more details.

In addition to ongoing cost-saving initiatives, the mobile and fixed markets are now showing clearer signs of market rationality on price. The fixed churn rate has been stable, with a monthly average churn rate of 1.1% for the year ended December 31, 2023, in comparison to 1.1% and 1.1% for the year ended December 31, 2022 and December 31, 2021, respectively. The mobile churn, despite price increases, has been contained, with a monthly average churn rate of 1.1% for the year ended December 31, 2023, in comparison to 1.1 and 1.2% for the year ended December 31, 2022 and December 31, 2021, respectively. Additionally, for the year ended December 31, 2023, compared to the year ended December 31, 2022, the TIM Group's net adds improved and consumer fixed ARPU (net of activation fee) increased by 4.1%.

The TIM Group had selectively repriced 4.3 million fixed lines and 2.1 million mobile lines between January and March 2023, which the TIM Group believes would have achieved significant revenue upside for the year ended December 31, 2023, in comparison to year ended December 31, 2022. 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. The TIM Group's "more for more" proposition involves repositioning the customer base for higher value deals by providing them more value in terms of calls, data and content for the price paid.

In relation to wholesale tariff pricing, AGCOM has approved, and the EU Commission has greenlighted, an increase in regulated access prices for 2023 in comparison to 2022, for certain jurisdictions, including Italy, which are applicable retroactively from January 1, 2023.

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

The TIM Group benefits from a highly accomplished and experienced management team, led by its CEO, Pietro Labriola, who was appointed as general manager in November 2021 and then appointed as CEO in January 2022 and brings over 20 years of experience at the TIM Group including as the former CEO of TIM Brasil where he transformed TIM Brasil from a newcomer to a market leader. Under Pietro Labriola's leadership, the Brazil Business Unit has

successfully evolved from a newcomer with an EBITDA margin of approximately 34% as of December 31, 2016, to a market leader with an EBITDA margin of 46% margin for the year ended December 31, 2022. The TIM Group's senior managers also include Adrian Calaza as CFO, Claudio Giovanni Ezio Ongaro as Chief Strategy, Business Development & Wholebuy Officer, Elio Schiavo as Chief Enterprise and Innovative Solutions Officer and Andrea Rossini as Chief Consumer, Small & Medium and Mobile Wholesale Market Officer, who together have strong sector knowledge of the broader telecommunications environment and international experience. See "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—Any changes in the TIM Group's directorship and/or senior management could adversely affect the TIM Group's business*."

The TIM Group'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 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 TIM Group's management brings a strong commitment to deleveraging the group, both organically and through the strategic options created by the Delayering Plan, as discussed under "*—The TIM Group's Strategy—Delayering Plan*." The TIM Group's management has also enacted the Transformation Plan (as defined below) with ambitious cost-cutting targets, and for the year ended December 31, 2023, management has achieved approximately €800 million of savings. See "*—The TIM Group's Strategy—Transformation Plan*" for more details.

The TIM Group's Strategy

The TIM Group's strategy embeds two distinctive features, the Delayering Plan and the Transformation Plan (as defined below), as further described below.

Delayering Plan

The Implementation of the Delayering Plan

On March 3, 2022, the TIM Group conceptually approved a plan to reorganize its business segments with the aim of separating its national fixed-line access network infrastructural assets and shifting from its existing business model to a new more horizontal structure encompassing four business areas, one of which, TIM Brasil, would be dedicated to the Brazilian market. The remaining three areas would be: TIM Enterprise, TIM Consumer and a business area comprising also certain network assets, including the entire mobile network, the national backbone and data centers (the "**Delayering Plan**"). On July 6, 2022, the board of directors of TIM (the "**Board**") approved the Delayering Plan (the "**2022-2024 Industrial Plan**"). On February 14, 2023, and on March 6, 2024 the Board approved the continuation of the Delayering Plan for the periods 2023-2025 (the "**2023-2025 Industrial Plan**") and 2024-2026 (the "**2024-2026 Industrial Plan**"), respectively.

The purpose of the Delayering Plan is both "industrial," which translates into unlocking growth and achieving better operational results and "financial," with a specific attention to efficiencies and funding the investments that will increase the value in the medium to long term, the valorization of long-term assets and debt sustainability. To pursue these objectives, the TIM Group seeks to substantially reduce its net leverage and achieve a long-term sustainable capital structure. The TIM Group's strategy to achieve such goals includes utilizing of cash proceeds from corporate transactions and engaging in deleveraging activities, such as the one contemplated in this Exchange Offer Memorandum. Accordingly, on November 6, 2023, the Board entered into the Transaction Agreement to give effect to the Transactions. See "*—The Transactions*."

In addition, the TIM Group maintains a high degree of flexibility to explore additional cash-in options in order to maximize value for the TIM Group and its stakeholders and believes that it is well equipped to navigate the challenging and volatile market conditions.

The implementation of the Delayering Plan is expected to facilitate each of the new business areas pursuing their own focused strategy

The TIM Group operates in a highly regulated and competitive market. See "*TIM Group Regulation*" and "*TIM Group Industry Overview*" for further information. In particular, the new TIM Consumer, TIM Enterprise and the existing TIM Brasil business area will operate in distinct markets, responding to different competitive dynamics and business trends with tailored strategies. The Delayering Plan is set to facilitate the business reorganization of the TIM Group around such new business areas and the implementation of their focused strategies. Accordingly, such organizational refocusing will allow management to operate on clear and business-specific KPIs to measure success in order to facilitate efficient management and improved capital allocation, in order to shorten the path to yet a more satisfying cash generation.

In particular, the TIM Consumer business area, is expected to follow a more focused path with a goal of increasing the perception of a premium and highly reliable telecommunications operator, seeking to benefit from pricing flexibility and planning to be ready for in-market consolidation opportunities. On the other hand, the TIM Enterprise business area is expected to drive the TIM Group's innovation path, intended to confirm it as a unique integrated ICT provider. The TIM Group, through its TIM Enterprise business area, aims to cater to blue-chip companies and the Italian public sector by offering bespoke B2B solutions and proprietary products.

Although not directly impacted by the Italian delayering strategy, activities in Brazil will continue to leverage the additional infrastructure and spectrum obtained through the Oi acquisition, together with the opportunity to exchange 4G into 5G investments and to accelerate the migration from FTTC to FTTH to drive network quality. Through the Oi acquisition, the TIM Group has improved scale, new revenue generation opportunities, higher efficiency mainly due to additional spectrum and opportunities to capture value from infrastructure overlap.

The Delayering Plan is expected to bring regulatory relief

Following the successful completion of the Transactions, the TIM Group expects to benefit from an easing of its current regulatory obligations. AGCOM is expected to classify NetCo as a wholesale-only operator. However, it is uncertain whether such favorable decision will be adopted by AGCOM. Such a classification, if given, will result in improvements to the regulatory environment for the TIM Group in the Italian market, enabling it to compete on a level playing field with other market participants under applicable competition laws.

In particular, the TIM Group expects that, as a result of the Transactions, its current obligations to offer retail access prices replicable by competitors and to submit new retail offers to AGCOM for prior approval will no longer apply to the TIM Group's future retail offers, thereby allowing it to shape commercial offering on more competitive terms. For additional information, please see "*TIM Group Regulation*." Therefore, the TIM Group believes it is strategically positioned to leverage this prospective regulatory change and to implement its pricing strategies with greater autonomy. Moreover, the discontinuation of AGCOM's *ex ante* approval process is expected to boost the TIM Group's ability to quickly adapt to market demands, leading to a more rapid introduction of new services and promotional activities, effectively enhancing its time to market.

The implementation of the Delayering Plan is expected to bring competitive efficiencies

Following the completion of the Transactions, the TIM Group will transition to a smarter asset model, maintaining direct ownership and control over key infrastructure such as, among others, its mobile network, data centers and IP backbone, while providing fixed-line services to retail customers through wholesale access services from NetCo. Such smart asset model is expected to provide the TIM Group with a strategic flexibility while maintaining access to the required infrastructural asset base.

In the mobile retail market, the TIM Group's key strategic assets (such as, among others, the IP backbone, transport and spectrum coverage), are expected to serve as a significant competitive edge over its main competitors. These assets are fundamental for scaling up 5G services. The IP backbone, in particular, is a critical competitive asset for maintaining performance next-generation mobile network that integrates edge computing and cloud technologies. Additionally, the TIM Group's superior spectrum holdings are key to deliver high-quality service. The synergy of

these assets positions the TIM Group to effectively pursue strategies aimed at enhancing the value of its customer base.

In the fixed retail market, the TIM Group's activities in fixed-line services are expected to be sustained through the strategic divestment of those assets concerning its fixed-line network which are contemplated by the Transactions. This maneuver is complemented by a contractual arrangement with NetCo (i.e. the Master Services Agreement), a draft of which is attached to the Transactions Agreement and will be signed on the Acquisition Closing Date.

In particular, the TIM Group will provide, among others, the following services to NetCo pursuant to the Master Services Agreement: (i) mobile telecommunication services, (ii) hosting arrangements within TIM Group's data centers, (iii) access to the corporate network, (iv) the provisions of IT "business support systems" supporting NetCo's employees activities and (v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs. On the other hand, NetCo will provide, among others, the following services to the TIM Group: (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers, (ii) premium connectivity services such as point-to-point fiber optic connectivity, (iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end customers, (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo, (v) energy supply and procurement services (which will be specifically provided by Telenergia) and (vi) other minor services. Accordingly, following the Transactions, the TIM Group is expected to benefit from, among other things, the extended duration of the Master Services Agreement. For further information regarding the Master Services Agreement, please see "*—The Transactions—Master Services Agreement*."

As part of the Delayering Plan, the Transactions will allow the TIM Group to significantly delever

Following the successful completion of the Transactions, the TIM Group is expected to significantly delever. The strategic asset dispositions alongside the successful completion of the Exchange Offers, both as contemplated by the Transactions, are expected to contribute substantially to the reduction in the net leverage of the TIM Group, setting the stage for a new phase of debt sustainability. After giving *pro forma* effect to the Transactions, the TIM Group's Adjusted Net Financial Debt-AL would have decreased by €13,768 million to €6,581 million.

The TIM Group's Adjusted Net Financial Debt-AL and Ratio Adjusted Net Financial Debt-AL to Organic EBITDA-AL were €20.3 billion and approximately 3.8x for the year ended December 31, 2023, respectively.

The TIM Group believes that following the Transactions it will benefit from increased financial flexibility and be able to align its net leverage ratio with best-in-class peers, thereby enhancing its competitive position.

See "*Presentation of Financial and Other Information—TIM Audited Consolidated Financial Statements*" and "*Risk Factors—Risks Related to The TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*."

The implementation of the Delayering Plan is expected to allow the TIM Group to have strategic flexibility

The successful implementation of the Delayering Plan is expected to grant the TIM Group enhanced strategic flexibility, enabling it to swiftly pursue growth initiatives, both organic and inorganic, within its new organizational model, including, for example, inorganic growth in ICT services to enterprises in the areas of cybersecurity and artificial intelligence. This strategic adaptability is expected to empower the TIM Group to capitalize on emerging market opportunities, streamline operations and foster innovation across its new and reshaped business. By reorganizing its structure, the TIM Group aims to position itself to respond more effectively to the dynamic telecommunications landscape, drive efficiency and optimize its asset portfolio to support sustained growth and value creation.

The new business areas set forth under the Delayering Plan: TIM Enterprise, TIM Consumer and TIM Brasil

For the year ended December 31, 2023, after giving *pro forma* effect to the Transactions, TIM Consumer business area, TIM Enterprise business area, Sparkle and TIM Brasil would have generated €6.2 billion, €3.4 billion, €1.0 billion and €4.4 billion in revenue respectively. These figures consider the effects of Master Services Agreement and Transitional Services Agreement as well as intercompany agreements between TIM Consumer, TIM Enterprise and Sparkle, amounting €0.4 billion between TIM Consumer and TIM Enterprise and €0.2 billion between Sparkle and other domestic entities within the TIM Group. For the same period, after giving *pro forma* effect to the Transactions, TIM Consumer business area, TIM Enterprise business area, Sparkle and TIM Brasil would have generated €1.1 billion, €0.7 billion, €0.1 billion and €1.6 billion of Organic EBITDA-AL and would have incurred in €1.0 billion, €0.3 billion, €0.1 billion and €0.8 billion of Capital Expenditures, respectively.

However, in the TIM Audited Consolidated Financial Statements and in this Exchange Offer Memorandum, the TIM Group presents its financial and operating information per the business units and segments in the manner described under "*—TIM Group Business Units.*" See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group—Operating Segments*" for more details. As such, in this Exchange Offer Memorandum, the TIM Group does not present its business in terms of the new organizational model.

TIM Enterprise

The TIM Enterprise business area will be the only full ICT provider in the domestic market capable of providing fixed and mobile connectivity, cloud, cyber security and IoT solution swill benefit from a strong position in the Italian IT services market for large enterprise and uniquely positioned in the public administration segment, providing the following end-to-end ICT offerings:

Managed and professional services: This will include change assessment, cloud migration and cost optimization, and running deployment, systems and application management, full outsourcing, managed audit and billing and managed security and governance.

*Solution*s: This will include cloud solutions for modern workplace, customer experience, modern and enterprise applications, digital marketplaces and trusted services. It will also include security solutions for cybersecurity and cyber risk management and crypto. Additionally, it will also provide IoT solutions.

*Cloud infrastructur*e: This will include TIM Cloud, Google Cloud, Edge Cloud and other third-party clouds.

*Data center and Edg*e: This will include data center offerings as well as TIM Edge.

Network: This will include providing traditional voice and VoIP, xDSL and fiber, software defined network offerings in the fixed line retail market and providing 2G, 4G, 5G, human and M2M, device and technical assistance offering, and 5G private network offerings in the mobile market.

The TIM Enterprise business area will be one of the leading ICT providers for large enterprises, employing 5,300 people with over 2,000 different types of certifications, of which over 1,500 employed in pre-sales, sales and post-sales. Moreover, the TIM Enterprise business area will hold a leading market share in connectivity services for the large enterprise market (i.e. services needed to provide connections, or unique, active service access points, to the network). This includes voice services and data services as well as M2M network access and human access. A single subscriber may operate several different connections and multiple connections may be associated with one subscriber or one device.

The TIM Enterprise business area will also benefit from its market share in IT services (i.e. application of business and technical expertise to enable organizations to create, manage and optimize, or access, information and business processes held by the TIM Group). The IT services market can be segmented by the type of skills that are employed to deliver the service, such as the design, building, and operation of services.

The TIM Enterprise business area will also be a leader and will have a leading position in the provision of services for public administration, with approximately 25,000 clients.

The IT service market is characterized by a relatively high compound market share captured by many local players, mainly due to cultural and local commercial complexities, such as language, local regulatory and privacy constraints in most industries (including banking, energy and healthcare), the importance of local relationships and proximity to customers. The TIM Enterprise business area will be one of the largest local players in this highly fragmented market, in which scale increasingly matters, and the TIM Group is able to capitalize on its position as a leading ICT provider to large customers and the public administration segment due to the trust that it has built with, and its proximity to, such customers and its ability to offer converged end-to-end solutions. The TIM Group believes that due to a trend among its customers to reduce operational complexity, compounded by increasing internal ICT skills shortages, by consolidating key partners for telecommunication and data services, cloud, IoT and security, a natural convergence will occur. Accelerated by NRRP, the growth in IT services spend is also driven by the increasingly mission-critical nature of IT services in business operations which the TIM Group 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.

The TIM Enterprise business area will have clear and distinctive competitive advantages to gain from expected market momentum, including: (i) an unmatched offering in the Italian market, (ii) an owned mobile core network, (iii) 16 directly owned data centers, of which seven were “top tier,” as of December 31, 2023 and (iv) opportunities to develop dedicated customer infrastructure.

The unique combination of (i) deep, established customer relationships (in the case of the TIM Group’s top 10 clients of more than 20 years, as of December 31, 2023), with an average contract duration of approximately three years, (ii) an unparalleled asset base with 16 proprietary data centers, (iii) a proprietary backbone in strategic areas with a dedicated assets and access to a broader network, (iv) a customer base exceeding 33,000 clients and (v) strategic partnerships with leading technology providers such as Google, Oracle, Microsoft, Fortninet, Cisco and VMWare makes the TIM Enterprise business area the natural reference point for many large enterprises and public bodies that seek to streamline their telecommunication and IT infrastructure, ideally with a single counterparty providing seamless end-to-end services. With core data services increasingly integrated with cloud, IoT and security solutions, the TIM Group believes that this convergence can only continue. The TIM Enterprise business area is uniquely positioned to capitalize on this opportunity.

As part of establishing the TIM Enterprise as its own business area, the TIM Group’s management is developing an integrated go-to-market approach between the historically and separately managed brands of the TIM Enterprise business area, including 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 TIM Group’s primary focus is on the continuing acquisition of scale, focusing on proprietary products and a public administration cloud strategy, personnel reskilling in light of an expanding offering, phasing-out one off restructuring costs and expanding its data centers footprint for improved offerings.

The TIM Enterprise business area is expected to benefit from sustainable growth, underpinned by a further expansion in the ICT market, the optimization of key assets, ensuring more efficient operations and a shift in its operating model, aiming to insource certain external capabilities. In particular, the key features of TIM Enterprise business area’s operating model are expected to be as follows:

- centralized corporate sales and account management involving a single point of contact to engage with customers in order to better identify needs and explore opportunities;
- integrated marketing and solution development, by industry and top clients;
- specialized pre-sales, with product-focused pre-sales specialists supporting account managers during sales process;
- vertical product management, with product-focused business and technical requirement identification to steer competence center development;
- integrated delivery project management with specialized project management for project delivery coordination;
- vertical delivery specialists with product-focused experts responsible for single product delivery;

- integrated research and development to setup common standards and methodology;
- product-specific competence centers to develop internal IP from product management inputs;
- integrated technical practices for management of key partners' technology solutions;
- integrated managed services for infrastructure;
- vertical application managed services (product-specific); and
- integrated operations and assurance in charge of post-sales services, assurance and maintenance.

The TIM Group believes that these measures will result in (i) higher revenues generated by the activities within the TIM Enterprise business area, including revenues generate by ICT services, (ii) significantly increased cash conversion and (iii) optimized capital expenditures as well as operational costs.

TIM Consumer

The TIM Consumer business area will be the leading fixed and mobile services provider in the consumer and Small and Medium Business retail market in Italy. To support its operations, the TIM Consumer business area will continue to rely on the direct ownership of its mobile infrastructure, data centers and backbone and further equipment and infrastructure components (not included in the NetCo Business) and will utilize fixed-line wholesale access services from NetCo through the bespoke and flexible Master Services Agreement.

The TIM Consumer business area will continue to operate in a competitive environment. In order to address these challenges, the TIM Group's management is implementing a recovery strategy. The main goal of the TIM Group is to transform its TIM Consumer business area into an agile, efficient and commercially flexible premium and highly reliable business with a shift in strategy, from volume to value. The Delayering Plan will enable the TIM Group's management to focus on end-to-end responsibility for the entire business, with full accountability for the implementation of the strategy. The TIM Group also expects that delayering will enable higher commercial flexibility by lifting price-replicability and allowing a level playing field with competitors.

As part of the transformation, the TIM Consumer business area 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, improvised organizational structure and capital expenditure and IT demand optimization. The TIM Consumer business area will continue to focus on striving for sales excellence and data-driven customer value management, providing turn-key ICT solutions for Small and Medium Businesses.

As near-term goal, the TIM Group aims at stabilizing the customer base within its TIM Consumer business area through a turnaround plan. This strategy entails, among other things, reduced churn, with gradual ARPU increases through a "more for more" proposition, a restructuring of its current content strategy and the TIM Vision platform, the optimization and digitalization of the current channel mix and higher FTTH/5G uptake which should provide opportunities for improved pricing and up-selling.

As a long-term objective, following expected market and revenue stabilization, the TIM Group believes that TIM Consumer business area will be able to enhance its performance by expanding beyond connectivity services, thereby broadening its scope from a telecommunication operator to a customer platform business. This strategy involves evaluating new business potentials and defining a go-to market approach. Growth prospects include a more distinct differentiation of entertainment services alongside a restructuring of its content strategy to prioritize profitability. This strategy will pivot towards a new business model that focuses on distributing content from leading third-party providers like Netflix, Apple TV and Disney^{+} on a revenue-sharing basis, thereby requiring minimal investment. The TIM Group also plans to enrich its 5G and ICT portfolio and advance its data-driven strategy. Furthermore, the TIM Group plans to broaden its current offering scaling up certain of its existing products and services, including media and insurance services, as well as expanding on new high-value services, including consumer finance, health and education. These initiatives are designed to lay the foundation for sustainable growth, anchored in high-quality service positioning and a compelling digital service offering.

The TIM Group believes that its TIM Consumer business area will have the opportunity to capitalize on its unique asset portfolio and capabilities to increase its organizational efficiency and support its consumer platform strategy and partner attraction. In particular, the TIM Group expects to benefit from: (i) a robust customer base, rooted in

longstanding relationships with a significant portion of households and enterprises, complemented by comprehensive subscriber data, (ii) a widespread sales channels capillarity across major Italian cities, efficient call centers and a strong online presence, (iii) a well-established and reputable brand, ranking among the top ten most valuable brands in Italy and the leading among Italian telecommunications operators and (iv) a meticulously structured customer interaction system, ranging from widespread presence throughout Italy to more personalized engagement for specific interactions, such as billing relationships and home access via set-top-box. The strengths of the TIM Consumer business area are expected to underpin continued growth and help maintain its competitive position in the market. These advantages are essential for the unit to respond effectively to evolving consumer needs, leveraging technological advancements and capitalizing on its strong market presence to secure ongoing success and a leading role in the industry.

TIM Brasil

The TIM Brasil business area aims at becoming the next generation telecommunications operator driving the digitalization of Brazil, distinguished by offering superior service and network quality and committed to providing a fully differentiated and reliable suite of services in order to deliver superior and sustainable value to its shareholders. TIM S.A., a 67%-owned listed subsidiary of the TIM Group, is already among the most profitable telecommunications companies in Latin America and leads its peers with a free cash flow yield of approximately 10.3% for the year ended December 31, 2023. TIM Brasil business area will continue to operate in a large, increasingly attractive and growing market, which has benefited from recent consolidation from five to three mobile operators (including TIM S.A.'s integration of part of Oi), a healthy regulatory environment, continuous growth in addressable customer base and the favorable effects after reduction of the Brazilian turnover tax ICMS from 28% to approximately 20%-22% for the years ended December 31, 2022 and 2023, respectively. The TIM Brasil business area is uniquely positioned to become the preferred telecommunications operator in Brazil, offering leading value propositions in markets driven by value. In particular, the TIM Brasil business area has received several recognitions within the industry, including being the first operator to provide 4G connectivity across all 5,570 Brazilian cities and delivering innovative services through strategic partnerships with key industry players. See "*Business of the TIM Group*" and "*TIM Group Industry Overview*"

The TIM Group's strategy for its TIM Brasil business area aims at further strengthening cash flow generation in its core connectivity business, through the deployment of 5G coverage, the migration of FTTC to FTTH technology as well as a prudent capital allocation and expenditures. The strategy is further bolstered by the competitive advantage of operating in a market characterized by fragmentation and the presence of numerous regional players as well potential opportunities in the business-to-business IoT market. 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 the 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.

Transformation Plan

In addition to the Delayering Plan, the TIM Group is also in the process of implementing an ambitious cost-cutting transformation plan (the "**Transformation Plan**") covering TIM Consumer business area and TIM Enterprise business area (collectively, the "**TIM Domestic business area**"). As of December 31, 2023, TIM Domestic business area generated approximately €1.1 billion of total savings, of which approximately €0.7 billion were operating expenditure savings and approximately €0.4 billion were cash cost, respectively. This was achieved mainly through, among other things: (i) a hourly reduction involving more than 70% employees, (ii) voluntary exits of approximately 0.6 thousand employees, (iii) a company-wide insourcing program, reskilling about 1.1 thousand employees, (iv) energy initiatives, (v) an optimization of approximately 200 thousand square meters premises, (vi) a reduction of approximately 18% year-over-year of human calls in its customer care operations and (vii) a dismantling of approximately 14 thousand public payphones.

Following the targets and objectives achieved between 2022 and 2023 under the Transformation Plan (the "**First Wave**"), the TIM Group is further committed to continuing its transformation journey, setting forth new targets for the 2024-2026 period (the "**Second Wave**").

The Second Wave is founded on two key transformation pillars. Specifically, the TIM Group aims to (i) continue streamlining its cash cost baseline by simplifying and right-sizing cost structures, ensuring clear and full cost accountability and (ii) reassess its processes and operating models across all group companies, with a particular focus on advancing the TIM Group's digital capabilities, processes, and operating models. The TIM Group anticipates that these measures will help mitigate total cash cost increase associated with the expected shift in revenue mix. The TIM Group believes that such strategy will allow it to mitigate the expected cost increases resulting from the expected shift in revenue mix, from higher-margin connectivity services to lower-margin ICT and multimedia services. In particular, the TIM Group is expected to focus on a series of high-impact initiatives:

People re-skill and insourcing: The TIM Group is committed to launching a new company-wide insourcing program aim at internalizing current external activities, leveraging internal skills and capacity. This initiative is expected to enhance market responsiveness, reduce external costs and improve margins.

End-to-end Processes: This initiative focuses on digitalizing and automating critical, human-intensive business processes throughout the TIM Group through the implementation of advanced technologies, such as AI. The goal is to simplify and enhance operations and streamline costs, ultimately accelerating revenue generation.

*Customer Car*e: This initiative aims to reduce human interactions by offering targeted interactions and a wider suite of digital customer care alternative, such as a dedicated mobile app and voicebot. The TIM Group expect to capitalize on the reduction of external costs related to outsourced activities and enhance its customer engagement.

Multi-product Sales Channels: In addition to ongoing channel mix and cost optimization activities, this initiative aims to leverage the TIM Group's existing channels to lower per-unit acquisition costs by offering a broader range of products and services, such as insurance and energy.

*Mobile Networ*k: This initiative aims to implement a new data-driven approach which prioritizes sites that offer a higher return on investment and optimize capital expenditures allocation. The TIM Group believes that such initiative will expedite the rollout of the 5G network and close the competitive gap with its competitors.

IT: This initiative aims to enhance productivity by adopting a new operating model that leverages strategic partnerships with key partners.

The assumptions used in estimating total savings, including the components of such estimates and the steps to be taken to realize such savings and the assumptions used in estimating the timing and the expected business and regulatory benefits from as a result of the successful completion of the Transaction and the implementation of the Delayering Plan are forward-looking in nature, inherently uncertain and subject to a variety of business, economic, competitive and legal risks and uncertainties. The TIM Group cannot assure investors that the information on which it has based its assumptions will not change or that it will be able to realize any of the as-yet unrealized cost savings or benefits it believes are possible based on the TIM Group's management estimates and assumptions. Furthermore, the costs that the TIM Group will incur in connection with the Transactions, the Delayering Plan and the Transformation Plan may be substantially higher than currently estimated and may outweigh any benefit. There can be no assurance that the Transactions, the Delayering Plan and the Transformation Plan will be effective or that the savings targets or the expected benefits presented herein will be achieved in whole or in part.

For further information, please see *"Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group's business will be adversely affected if the TIM Group is unable to successfully implement its strategic objectives and factors beyond its control may prevent it from successfully implementing its strategy," "Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The separation of NetCo from the TIM Group may be complex, could cause the TIM Group to incur unexpected uncertainties and costs" and "Risk Factors—Risks related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—Following the successful completion of the Transactions,*

any deterioration of the relationship with, or in the financial condition of, NetCo could negatively impact the TIM Group's business, financial condition and results of operations."

TIM Group Business Units

For the year ended December 31, 2023, the TIM Group conducted its business through three business units: the Domestic Business Unit, the Brazil Business Unit and the Other Operations Business Unit. However, as part of the Delayering Plan, the TIM Group is currently planning the reorganization of its business, which will account for contribution of the NetCo Business to FiberCop and the sale of TIM's stake in FiberCop and it is expected that the TIM Group will continue to pursue its focused strategy. In line with the Delayering Plan, the resulting business areas are expected to be: TIM Enterprise, TIM Consumer and TIM Brasil. The TIM Group believes these new future business areas will more accurately represent the TIM Group's horizontal structure following the successful completion of the Transactions. See "*—The TIM Group's Strategy—Delayering Plan*" and "*—The TIM Group's Key Strengths*" for further information.

For the year ended December 31, 2023, the Domestic Business Unit and the Brazil Business Unit represented approximately 73% and 27% of the TIM Group's revenue, respectively. The operations of each of the TIM Group's three reportable business units are described below.

Domestic Business Unit

As of December 31, 2023, the operations of the Domestic Business Unit included:

- providing voice and data services on fixed-line and mobile networks for customers and wholesale operators in Italy;
- providing international voice, data and Internet services for fixed-line and mobile telecommunications operators, Internet service providers ("**ISP**") or access service providers ("**ASP**") (in the wholesale market) and to multinational companies through the networks available to it;
- managing the development of fiber optic networks for wholesale customers;
- supplying passive access services to the secondary copper and fiber networks;
- providing cloud and edge computing solutions;
- providing information technology products and services; and
- providing other support services.

As of December 31, 2023, the TIM Group's Domestic Business Unit operated through five segments:

*Consumer and Small Medium Business ("**SMB**")*

The Consumer and SMB segment comprises all fixed and mobile voice and Internet services and products for non-business customers (including public telephony, caring activities and administrative management of customers), Small and Medium Enterprise ("**SME**") customers and Small Office Home Office ("**SOHO**") customers. This segment also includes the TIM Retail company, which coordinates the activities of physical stores.

Enterprise

The Enterprise segment consists of ICT solutions and connectivity products and services managed and developed for top customers, public sector customers and large accounts. The Enterprise segment includes the following entities: Olivetti, TI Trust Technologies, Telsy and Noovle.

Wholesale National Market

The Wholesale National Market segment is engaged in managing and developing portfolios of regulated and unregulated wholesale services for fixed-line and mobile telecommunications operators in the Italian domestic market and for other MVNOs which do not own their own radio spectrum or wireless networks. The Wholesale National Market includes the following entities: TI San Marino and Telefonia Mobile Sammarinese.

Wholesale International Market

The Wholesale International Market segment includes the activities of the Telecom Italia Sparkle group, which provides international voice, data and Internet services for fixed and mobile telecommunications operators, ISPs, ASPs (in the wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets.

Other

The Other segment includes:

- *Other Operations*: Other Operations includes technological innovation and development, engineering, construction and operating processes for network infrastructures, IT systems and properties and all services of FiberCop; and

- *Staff & Other*: Staff & Other includes services provided by the staff departments and other support activities.

Brazil Business Unit

The Brazil Business Unit is engaged in providing mobile services using universal mobile telecommunications systems, global system mobile and long-term evolution technologies in Brazil. It also offers fiber optic data transmission using full IP technology, such as dense wavelength division multiplexing, multiprotocol label switching as well as residential broadband services.

The Brazil Business Unit has developed a comprehensive service portfolio catering to both consumer and corporate clients, including small, medium and large enterprises. Beyond traditional mobile voice and data offerings, TIM Brasil is expanding into fixed ultrabroadband services and exploring innovative revenue streams in emerging and adjacent markets, such as financial services, mobile advertising and IoT. The Brazil Business Unit enhances its customer offerings with additional services and digital content, augmenting mobile device functionality. This extensive portfolio management enables the creation of customized packages and convergent offers in select regions.

At the same time, TIM Brasil is embracing business transformation, venturing into new markets and seizing opportunities beyond its traditional core operations. Key initiatives to achieve the TIM Group’s vision for its Brazil Business Unit are summarized below:

- Striving to be recognized as Brazil’s best mobile operator by improving services and offers, thereby enhancing customer experience;

- Accelerating growth through an asset-light broadband model, focusing on the migration of FTTC customers to FTTH, in addition to expanding its presence through partnerships;

- Broadening its B2B and IoT technology footprint, leveraging strategic initiatives to tap into anticipated market growth, with a particular focus on 5G opportunities;

- Strengthening its strategic partnerships to boost value creation, where TIM Brasil already collaborates with industry leaders and continues to pursue new business prospects; and

- Pursuing fixed broadband opportunities by capitalizing on growth in the ultrabroadband market through innovative financial and business models.

Other Operations Business Unit

The Other Operations Business Unit includes ancillary operations of the TIM Group, including financial operations.

TIM Group Operational Data

The following tables show the TIM Group's historical operating data for the periods presented. Please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the TIM Group*" for more details.

Domestic Business Unit: Fixed

	For the year ended December 31		
	2023	2022	2021
	(in thousands (€) unless otherwise indicated)		
Total TIM Retail accesses	7,975	8,290	8,647
of which Next Generation Networks ("NGN")[(1)]	5,580	5,417	5,186
Total wholesale accesses	7,247	7,525	7,729
of which NGN	5,280	5,171	4,819
Active broadband accesses	7,196	7,443	7,733
Consumer ARPU (€/month)[(2)]	28.1	28.3	30.1
Broadband ARPU (€/month)[(3)]	38.1	35.6	33.4

(1) Ultrabroadband access in FTTx and FWA mode, also including "data only" lines and 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 Business Unit: Mobile

	For the year ended December 31		
	2023	2022	2021
	(in thousands (€) unless otherwise indicated)		
Lines at period end	30,128	30,407	30,466
of which human	18,071	18,438	19,054
Churn rate (%)[(1)]	12.8	13.3	14.7
Broadband users[(2)]	12,592	12,577	12,783
Retail ARPU (€/month)[(3)]	6.9	7.1	7.5
Human ARPU (€/month)[(4)]	11.4	11.5	11.7

(1) Percentage of total lines that ceased in the period compared to the average number of total lines.

(2) Mobile lines using data services.

(3) Revenues from organic retail services (visitors and MVNO not included) compared to the total average number of lines.

(4) Revenues from organic retail services (visitors and MVNO not included) compared to the average number of human lines.

Brazil Business Unit

	For the year ended December 31		
	2023	2022	2021
	(in thousands (€) unless otherwise indicated)		
Lines at period end[(1)]	61,248	62,485	52,066
Mobile ARPU[(2)]	29.5	26.1	26.4

(1) Includes corporate lines.

(2) Represents blended pre-paid and post-paid ARPU.

Products and Services

The TIM Group offers a wide range of mobile and fixed-line telecommunications and value-add services and equipment to its consumer and business customers. The TIM Group caters to consumer customers, SMBs, SOHOs, the Italian public sector and other large accounts, enterprises, fixed-line and mobile telecommunications operators, ISPs, ASPs (in the wholesale market) and multinational companies. For the year ended December 31, 2023, the service revenue amounted to approximately 91% of TIM Group revenue. The TIM Group collaborates with the main European telecommunications operators to promote Open RAN technology within the framework of a common memorandum of understanding and participates in the Open RAN design within the O-RAN Alliance. These initiatives aim at speeding up the implementation of new generation mobile networks such as 5G, cloud and edge computing.

A brief description of the services provided, and equipment supplied by the TIM Group through each of its business units, organized by targeted markets, is provided below:

Italy and International Market

In Italy, the TIM Group offers full-service solutions, including mobile voice, a wide range of mobile data packages, landline voice, fixed broadband and fully flexible television packages, including streaming services and fiber connections. It also provides ICT offerings and digital services, including cloud services.

The TIM Group also services ISPs, ASPs (in the wholesale market) and multinational companies also through its own networks in the European, Mediterranean and South American market.

Consumer

Some of the key services and equipment offered by the TIM Group to its consumer customers are provided below:

- mobile voice, messaging and data services by consolidating 4G and developing 5G networks;
- loans and payment plans for customers acquiring smartphones along with network connection;
- insurance policies for customers acquiring smartphones along with network connection;
- FTTH fiber connections to homes, offering high performance of up to 10 Gbps, with approximately 40% of Italian residential units covered by FTTH. Approximately 70% of the TIM Group's Italian fixed customers used ultrabroadband connections as of December 31, 2023;
- home Wi-Fi services with a 10 Gbit modem that assures a powerful, stable, secure connection in all areas of the home and dedicated assistance for an extremely high-level browsing experience;
- access to connection services in sparsely covered areas using fixed wireless access ("**FWA**") technologies, including through a Wi-Fi subscription and a pay-as-you go model;
- special offers, including discounts and unlimited gigabytes, for such customers who avail of both mobile and fixed-line services;
- family plans, including Wi-Fi television for unlimited browsing;
- special packages for customers under the age of 30 years and for low-income families; and
- portfolio of digital services, including cloud services in partnership with Google.

The TIM Group has also entered into partnerships with Disney+, Netflix, Amazon Prime (for providing entertainment services), DAZN and Infinity+ (for soccer and sporting event streaming services). It has also partnered with Lega Serie A and UEFA Champions League for streaming services.

Additionally, the TIM Group has started the TIM Next loyalty program, offering customers the chance to replace their smartphones with newer models, thus encouraging the collection and recycling of used smartphones.

The TIM Group has also introduced pricing initiatives, such as the introduction of inflation adjustment mechanisms for new customers, to achieve gradual (rather than sudden) repricing of contracts.

Businesses

The TIM Group offers services to the full range of business customers, from SMBs to large national and international enterprise customers, as well as the Italian public sector. The TIM Group offers mobile (4G and 5G), Wi-Fi and fixed-line services, as well as digital services (including cloud services, information security services and IoT solutions) to its SMB customer base. It provides fiber connection, offering performance of up to 10 Gbps and guaranteed minimum bandwidth for more sophisticated customers. The TIM Group also provides after sale services. Additionally, the TIM Group provides specific content on digital channel for SMB customers in order to increase the purchase of solutions for fixed, mobile and ICT offerings. The TIM Group also provides online services dedicated to customers on apps and the web.

Furthermore, the TIM Group has simplified its sales processes and extended its portfolio with solutions tailored to the needs of its SMB customers. Such simplification aimed to consolidate the main needs of its SMB customers, including information security, cloud computing for capacity and storage, data backup and the adoption of SaaS solutions. The TIM Group has also expanded its ICT offer through advanced connectivity solutions (VoIP) and partnerships with major market players.

In terms of products and services for clients in the large enterprise and the public administration segment, the TIM Group offers:

- *Managed and professional services*: including change assessment, cloud migration and cost optimization and running deployment, systems and application management, full outsourcing, audit and billing management, security management and governance;
- *Solution*s: including cloud solutions for modern workplace, customer experience, modern applications, digital marketplaces and trusted services. It also includes security solutions for cybersecurity and cyber risk management and crypto. Additionally, it includes providing IoT vertical solutions;
- *Cloud infrastructur*e: including services such as TIM Cloud, Google Cloud, Edge Cloud and third-party clouds;
- *Data center and Edg*e: including data center offerings as well as TIM Edge; and
- *Networ*k: including providing traditional voice and VoIP, xDSL and fiber, software defined network offerings in the fixed line market; and providing 2G, 4G, 5G, human and M2M, devise and technical assistance offering and 5G private network offerings in the mobile market.

Brazil

The TIM Group offers mobile services using universal mobile telecommunications system, global system mobile and long-term evolution technologies in Brazil. It also offers fiber optic data transmission using full IP technology, such as dense wavelength division multiplexing, multiprotocol label switching as well as residential broadband services. The TIM Group is in the process of migrating customers and integrating the Oi network. On March 30, 2023, the shareholders of TIM approved the merger of Cozani RJ Infraestrutura e Redes de Telecomunicações S.A. ("**Cozani**") with TIM, which occurred on April 1, 2023, according to Anatel's No. 4951 of April 5, 2022 published by Anatel. Cozani is a special purpose company acquired from Oi, which provides telecommunications services, especially personal mobile services and multimedia communication services.

Mobile

The TIM Group was the first operator to cover 100% of Brazil’s municipalities with 4G and launched its 5G network in Brazil in 2022. It has partnered with Deezer and Amazon Prime Video through exclusive partnership agreements. It has also entered into a partnership with Intelsat to offer complimentary internet connectivity on Gol and LATAM airlines’ flights for certain customers. The TIM Group has also been a pioneer in the Brazilian telecommunications market. It was the first and only telecommunication operator to offer Apple One in plans and to launch 5G free trials to encourage 5G migration. The TIM Group has also been an active operator in the use of remote e-sim activation. The strategy underlying these partnerships mainly consists in increasing customers’ loyalty, thus creating an added value for the TIM Group. More generally, the TIM Group’s partnership portfolio in Brazil is based on five main areas: (i) Content & Security, featuring partners such as YouTube Premium, Disney+, Apple One, Deezer, HBO Max, Amazon Prime Video and Exa, (ii) Education, featuring partners such as Descomplica, (iii) Health, featuring partners such as Cartão de Todos, (iv) Retail (Zé Delivery) and (v) financial services, featuring partners such as C6 Bank.

The TIM Group operates a sales app for independent retailers to re-sell SIMs and top-ups, thereby securing additional income streams. As a result of the improvements of the TIM Group’s customer experience in Brazil, in 2022, the TIM Group was awarded the Reclame Aqui RA 1000 certificate for excellence in customer service in the Perceived Quality and Satisfaction survey run by Brazil’s National Telecommunication Agency (*Agência Nacional de Telecomunicações*, “**Anatel**”). In addition, the TIM Group is the sponsor of Rock in Rio, one of the world’s largest music festivals, which serves to strengthen the tie of the TIM brand with music, entertainment and the Brazilian society at large.

Fiber

The TIM Group via its TIM UltraFibra service provides high quality ultrabroadband with high speed data connection. It has expedited the expansion of its footprint and FTTH network coverage focusing on strengthening existing active clusters and migrating customers from FTTC to FTTH to maximize customer experience.

Business

The TIM Group is characterized for its innovative and comprehensive portfolio, catering to both consumers as well as small, medium and large companies. Beyond traditional voice and data services, the TIM Group offers a fixed-line ultrabroadband service, TIM UltraFibra, and is advancing into the IoT space, establishing new revenue streams with applications in areas such as smart lighting, precision agriculture and herd management. The TIM Group is also at the forefront of crafting 5G-based opportunities in various verticals, including logistics and 4.0, to further its innovative offerings.

The TIM Group enhances its customers’ mobile experience by offering a variety of content and services designed to augment daily device functionality. With its comprehensive and varied portfolio, the TIM Group believes it is well-positioned to tailor packages to customer preferences and bundle services, such as voice and data, for clients in specific regions.

Network Assets, Licenses and Frequencies

In Italy, the TIM Group operates a mobile access network based on 4G and 5G standards. The TIM Group acquired spectrum rights in the 2018 multiband spectrum auction on all available frequencies in the 700 MHz, 3.7 and 26 GHz bands (specifically, 2x10 MHz in 700 MHz, 1x80 MHz in 3.7 GHz and 1x200 MHz in 26 GHz).

In Brazil, the TIM Group operates a mobile access network based on GSM, 3G, 4G and 5G standards. In the spectrum auction in 2021 for spectrum dedicated to 5G wireless technology, TIM Group was awarded the B3 batch of 3.5 GHz, along with several other batches.

The details of the TIM Group’s telephone licenses and similar rights in operation as of December 31, 2023, are provided below:

	Useful life *(years)*	**Maturity**

	Useful life	Maturity
Italy		
UMTS 2100 MHz (extension)	8	2029
WiMax (extension)	7	2029
34 – 36 MHz OpNet (former Linkem) bans	7	2029
LTE 1800 MHz	18	2029
LTE 800 MHz	17	2029
LTE 2600 MHz	17	2029
L Band (1452-1492 MHz)	14	2029
900 and 1800 MHz band	11	2029
3600-3800 MHz band (5G)	19	2037
26.5 – 27.5 GHz band (5G)	19	2037
694 – 790 MHz band (5G)	15.5	2037
28 GHz band (5G)	7	2029
Brazil		
800 MHz, 900 MHz and 1800 MHz band	from 2 to 20	2025–2039
1900 MHz and 2100 MHz band	from 2 to 20	2025-2039
700 GHz, 2500 MHz and 2.5 GHz band (4G)	from 2 to 20	2024-2039
2.3 GHz, 3.5 GHz and 26 GHz band (5H)	from 10 to 20	2030-2041

The TIM Group's telecommunication assets include the technological infrastructure that is used for the provision of telecommunications services (transport and distribution of voice/data traffic). As of December 31, 2023, the TIM Group's technological infrastructure assets were mainly attributable to TIM (€5,276 million) and FiberCop (€4,595 million), respectively, in Italy and to the Brazil Business Unit (€2,114 million).

The TIM Group's ultrabroadband coverage in Italy is composed by a mix of technologies:

- FTTC for nationwide NGAN up to 200 Mbit/s (under the "Italia a 1 Giga");
- FTTH coverage, through investments in FiberCop;
- 4G mobile ultrabroadband coverage with over 56,000 4G nodes (including both macro and micro); and
- 5G mobile ultrabroadband coverage with over 5,500 5G nodes (including 3.7 GHz and 700 MHz bands).

In October 2022, the TIM Group was the first operator in Italy and among the first in Europe to launch the consumer and business offer with high-performance FTTH fiber connections up to 10 Gigabits per second using its XGS-PON (10 Gigabit capable Symmetric Passive optical networks) technology. The TIM Group's network is also connected to other carriers in Italy, the main global CDN and to OTT providers.

In Brazil, the TIM Group's wireless networks use GSM, 3G, 4G and 5G technologies and cover approximately 100% of the urban Brazilian population. In March 2022, the TIM Group announced that it had completed its implementation of standalone 5G network "Core" in Brazil. This was necessary to provide 5G services in accordance with government requirements. Anatel has approved a revised schedule for granting access to the 3.5 GHz spectrum band in order to activate the 5G network in certain parts of Brazil after August 2022, commencing the commercial operations of 5G Standalone (5G SA) throughout Brazil. In 2022, the TIM Group began the 5G rollout and currently provides 5G coverage in Brasília and all 26 state capitals of Brazil. In Brazil, radio frequency authorizations are generally valid for an initial period of 15 years and are renewable for an additional 15 years. The TIM Group's current radio frequency authorizations for operations in Brazil started expiring in September 2022. The TIM Group has submitted investment plans to the local telecommunications regulator to obtain authorizations for these expiring radio frequencies. The TIM Group has started requesting renewals for the same period. There are ongoing administrative proceedings as well as judicial discussions regarding these renewals. In the case of authorizations that cannot be renewed, current telecommunications law sets forth that the spectrum is returned to the Federal Government under Anatel's management. This is why revisions to the Law No. 9,472/1997 (the "**General Telecommunications Law**") are expected to have a meaningful impact for the sector, as the proposed updated law allows for subsequent and unlimited renewals of radio frequency authorizations of up to 20 years each, generating an environment possibly more conducive to long-term investments. See "*TIM Group Regulation*." In Brazil, the TIM Group's wireless network has both centralized and distributed functions and includes mainly transmission equipment. For the year ended December 31,

2023, it consisted primarily of more than 60,000 eNodeBs in its 4G network, more than 17,000 NodeBs for the 3G layer and more than 13,000 BTSs for 2G network, considering site-sharing, hardware equipment and software installation and upgrades. In Brazil, the TIM Group's optical fiber network has capacity to offer high quality ultrabroadband service, available through its TIM UltraFibra service. In 2023, the TIM Group continued to increase the quantity of sites connected by optical fiber in Brazil, as well as integrating mobile sites acquired from the Oi acquisition, reaching more than 10,500 of sites connected by optical fiber.

Customer Services

The TIM Group is focused on providing high quality customer services and customer retention is one of its key objectives.

Italy

The TIM Group reaches around 5,750 Italian municipalities with ultrabroadband fixed services, and around 7,800 Italian municipalities with ultrabroadband mobile services where the services are available for the benefit of citizens, businesses and the Italian public sector.

The TIM Group undertakes a wide range of activities to improve quality of its services and products and to encourage customer retention. Some of these activities are as follows:

- *Data-driven direct marketing*: the TIM Group uses data analytics to predict and manage key customer KPIs and to trigger direct marketing activities aimed at reducing customer churn, while protecting and maximizing its ARPU and monthly average revenue per user ("**MARPU**"). Such activities range from simple caring calls to pro-customer price management activities or gifts (for example individual price-plan upselling or free data package). The TIM Group actively promotes proactive customer caring initiatives by enriching the data-lake and improving digital tools and data-driven processes;

- *Digital service*s: the TIM Group strives to provide an appealing digital environment to its customers through a wide offering of multimedia services, including music, content and games for customers' entertainment. It leverages its partnerships with content providers, such as DAZN and Disney$^+$, to provide sought after content;

- *Cross-selling or upselling*: the TIM Group undertakes data-driven campaigns that aim to increase penetration of convergent customer base (for example, providing FTTH upgrade or best technology for connectivity) to encourage reduction in churn propensities;

- *Customer satisfactio*n: the TIM Group's management is focused on customer satisfaction, which is monitored through a dual system (Customer Satisfaction Index and Net Promoter Score) that constantly monitors detailed trends and tracks them to micro-drivers, allowing intervention and management at operational and commercial level;

- *Digital payment*s: the TIM Group encourages customers to shift to a digital or automatic payments model to facilitate churn reduction; and

- *Direct relationshi*p: for more complex and large customers (e.g., corporate clients and Italian public administrations) the TIM Group believes that the key element is maintaining the trust built over the years through increasingly good relationships, supported by improving services and support tools.

Brazil

In order to serve the TIM Group's large customer base, the TIM Group has aligned the ratio between its internally managed and outsourced customer service operations to its outsourced customer service operation to the best practices of Brazilian telecommunications business. As of December 31, 2023, the TIM Group managed 16 inbound call centers with approximately 10,119 sales and customer service representatives, including four partner sites specializing in customer service. Of these representatives, approximately 4,500 have "remote working" arrangements, while approximately 1,390 are fully remote. This operational structure enables the TIM Group to concentrate on delivering

high-value customer services, maintaining focus on core processes and ensuring the efficiency of critical "Referral Channels."

For the corporate market, for the year ended December 31, 2023, the TIM Group had approximately 362 third-party business partners and 95 employees focused on serving SMBs and a direct sales force team of 87 employees focused on large companies.

Since 2020, digital channels have been a crucial aspect of the TIM Group's customer service through its mobile application MEU TIM and the MEU TIM web portal. These digital channels have been to be valuable for self-service, prepaid customer upselling additional services. In addition to providing an enhanced customer experience due to their prompt response capabilities, digital channels have also allowed the TIM Group to reduce costs in areas such as customer service operations and sales commissions. The TIM Group continues to roll out new features across its digital channels, increasing its ability to promptly resolve challenging issues that may arise for its customers.

In 2023, the TIM Group implemented a strategy to position the MEU TIM mobile app as the primary point of contact for its customers, focusing on a continuous journey informed by research and interviews with its clients. Throughout this period, the TIM Group consistently introduced new features across its digital channels, leveraging those insights to enhance its ability promptly address challenging issues that may arise for its customers.

The TIM Group has also expanded the service offerings for its digital customers, adding the Google Business Message (GBM) and Apple Message for Business (AMB) channels on top of already implemented channels, i.e. CHAT MEU TIM (available via web browsers and a mobile app) and Whatsapp, thus enabling customers to choose the channel that best serves their interests, according to their profiles, needs and behaviors.

The TIM Group also connects with its customers via social media, such as X (formerly known as Twitter), Facebook, Instagram and LinkedIn. In 2023, the MEU TIM mobile app maintained one of best rating among the Brazilian telecommunications operators' customer service mobile apps, with a rating of 4.7 of 5.0 "stars" on Apple's App Store.

Since 2021, the TIM Group has been working to keep the "Customer Experience" as a foundational pillar, creating initiatives that seek to put the customer as the center of decision-making. The approach used to promote this cultural transformation was guided by the relationship between customers and employees.

The TIM Group has evaluated and taken action to improve the experience and professional development of its employees, with educational projects to promote engagement and insight, focused not only on technical, functional or soft skills competences, but also on the new capabilities required to reach industrial and business goals. These efforts strengthened the bonds between an employee's business functions and the products and services they deliver to customer. The impact was noticeable in the TIM Group's Organizational Climate Survey, a study performed by consulting company, Mercer, considering several companies across the country. In 2023, The TIM Group maintained a favorability of 86% compared to the previous year, placing the TIM Group 14 percentage points above the Global Telecom Market and ten percentage points above the General Market Brazil. The business area responsible for supporting these initiatives was divided in three sections: Design, Execution and Monitoring.

The TIM Group's design team created a policy with "Customer Experience" guidelines. This document defined the expected behaviors and patterns in communication and interactions with customers, outlined a monitoring model, as well as refactored the products and services development cycles, to better cover all elements of Customer Experience.

The Execution area sought to solve legacy issues, with many of them solved. These actions were grouped in the Customer Experience governance plan, on four strategic pillars:

- *Customer Centric*: being customer oriented, understanding their needs, the relationship and the value proposition they expect when interacting with the TIM Group;
- *User Experienc*e: understand the perceptions and reactions of customers, including their emotions, beliefs, preferences, physical and psychological responses, as well their behaviors before, during and after they use the products, offers and services;

- *Customer Monitoring*: making use of tools and techniques such as big data and predictive analytics to extract value from customer information and to identify opportunities in revenue increase, costs reduction and quality improvement; and

- *Crew Experience*: with the understanding that its employees are key to create great customer experiences, empower their employees so that it is clear they are a consumer-oriented organization.

In addition, the TIM Group continued to use the so-called "Net Promoter Score" as a fundamental key performance indicator to measure customer experience with its call center. There is an ongoing project to expand this survey to its other customer service channels.

The TIM Group has also sought to maximize customer satisfaction through improvements in its processes and systems, including customer journey mapping, where employees are invited to assume the customer perspective using empathy maps and design thinking tools. The goal of using these methods is to reduce customer effort, increase customer success and to ensure positive emotions towards the TIM brand.

The TIM Group also enhanced its interactive voice response channels to include more customer-oriented services.

The TIM Group completed the migration of prepaid and postpaid consumer back-office services (front end was implemented in 2015) to the Siebel customer relationship management, or CRM, platform. The migration to the Siebel system from legacy systems for corporate clients is still ongoing.

In 2023, the TIM Group has started testing the integration of generative AI in its operations, such as virtual agent assistance, real time speech and text and chat bots.

Brand and Marketing

The TIM Group is actively involved in a diverse range of initiatives, encompassing both paid and unpaid activities, to promote its products and services. The TIM Group credits its brand strategy for expanding its customer base and fostering customer loyalty, leading to significant growth in total revenue. Using different media channels such as linear and on-demand TV, radio, print, online platforms and outdoor advertising, the TIM Group promotes its premium brand. Social media is also a key touchpoint for the TIM Group to increase relevance and drive engagement with new generations and specific target groups. The TIM Group increasingly relies on digital marketing and social media to generate interest in its offerings, emphasizing the integration of sales activities with innovative proposition development and creative campaigns to boost market share in SMBs, enterprise businesses and the public sector.

The TIM Group engages in marketing activities both in Italy and abroad. In Italy, during 2023, the TIM Group fostered its premium positioning in a campaign with the tagline, "The Power of Connections," leveraging its successful TV format that showcased stories of human connections empowered by TIM's technology. This campaign featured prominent Italian personalities, including distinguished sports figures and reinforced the TIM Group's presence in the music industry to appeal to different target groups.

With a century-long history dedicated to Italy's development, the TIM Group's commitment goes beyond providing reliable services to individuals and businesses. The TIM Group aims to be a catalyst for change and progress in the country, recognizing its brand responsibility to maximize the positive impact on society. Accordingly, the communication platform welcomed a new initiative, summarized in the tagline "Equality Can't Wait," which emphasizes the TIM Group's commitment to the promotion and awareness of gender equality. "The Power of Connections to Break Stereotypes" was the first campaign on gender equality launched to support the Italian women's national football team at the World Cup in Australia and New Zealand, supporting the right of women to dream free from stereotypes. Female testimonials, representing various professionals connected to the TIM world, highlighted severe gender disparities across different industries, issuing a challenge to take action. Furthermore, in line with the promotion of gender equality, the TIM Group launched "Women+," a mobile app to support and empower women in the labor market.

TIM has also reinforced its image as an innovator aspiring to be recognized not merely as a telecommunications and ICT service provider but also as a digital partner offering advanced solutions and consumer-oriented services. The

strengthening of its brand leadership, widening the gap with competitors on various brand KPIs and the acknowledgment of numerous awards for TIM advertising and campaigns provide tangible evidence of the impact of the TIM Group's brand strategy.

In Brazil, the TIM Group has been strengthening brand credibility by supporting social development initiatives and digitization.

Sales and Distribution

The TIM Group continues to move towards an omni-channel sales approach for its direct sales, offering customers the ability to research, purchase and collect products through three primary sales channels: stores (both owned and franchised) and online. The TIM Group has increasingly focused on delivering an integrated and seamless experience across different segments of its direct distribution channels. The TIM Group believes that these omni-channel offerings help it achieve high customer engagement and satisfaction and reach higher value customers. The TIM Group intends to focus on increasing sales through digital channels and channels with lower costs to both increase efficiency and leverage on data to improve customer satisfaction. The TIM Group also intends to shift its focus from volume driven approach to a value driven approach when it comes to customer acquisition. In the future, the TIM Group intends to adopt a complete data-driven channel management, through in-stores retail analytics solution to drive incentives, footprint and performance.

Italy

Direct Channels

The TIM Group continues to move towards an omni-channel sales approach for its direct sales, offering customers the ability to research, purchase and collect products through three primary sales channels: stores, online and customer care. The TIM Group has increasingly focused on delivering an integrated and seamless experience across different elements of its direct distribution channels. The TIM Group believes that these omni-channel offerings help it achieve high customer engagement, higher value customers and high customer satisfaction.

For the year ended December 31, 2023, the TIM Group offered its products and services through approximately 4,800 points of sale in Italy, out of which approximately 700 were monobrand stores. The monobrand stores are generally located in highly frequented and strategically important areas, such as high streets in urban centers. The TIM Group has revamped its physical store presence with new layouts to a more personal service both for its existing customer base and new clients.

The TIM Group also sells products and services directly through its website and mobile apps.

Indirect Channels

The TIM Group uses indirect channels as a means of increasing its customer reach and as a supplement to the TIM Group's direct distribution channels. The TIM Group's indirect B2B sales and distribution channels include business partners, distributors and wholesale partners.

The TIM Group conducts sales to SOHOs customers through its existing indirect sales and distribution channels, both in stores and online, using specialist sales advisers to help deliver customer acquisition and upgrades. The TIM Group conducts sales to SMB customers primarily through its sales force, which consisted of 73 business partners and 143 senior accounts as of December 31, 2023.

Brazil

In Brazil, the TIM Group follows a strategic approach to consumer customers through both physical and digital channels, with the ambition to migrate sales mix for a higher percentage of digital sales to reduce acquisition costs and improve customer satisfaction. For its business customers, the TIM Group attempts to provide efficient and scalable operation for SMBs and customized customer service for large companies.

For the year ended December 31, 2023, the TIM Group had approximately 16,500 points of sale (of which 158 were owned stores) through premium shops and dealers (exclusive or multi-brand) and consolidated partnerships with large retail chains. In addition to these retail stores, the TIM Group's customers have access to prepaid phone services through supermarkets, newsstands and other small retailers, which amounted to approximately 197,000 points of sale throughout Brazil.

In December 2021, the TIM Group launched a new store model intending to offer a welcoming service, combining experimentation and innovation. Since then, the TIM Group has opened six concept stores and over 40 stores in this new model. The new format has several spaces where customers are able to try out smartphones and accessories integrated with 5G technology, as well as equipment for connecting homes using the TIM Group's fixed ultrabroadband services. Consumers themselves are able to carry out basic activities, such as consulting with the sales representatives, printing, paying invoices, purchasing plans and services and even discussing with tech experts' tips for operating their devices, apps and more.

Pricing

Telecommunications operators face significant pricing pressure resulting from competition from other operators. Additionally, excessive or aggressive pricing is policed periodically by regulators, such as AGCOM, AGCM and Anatel. In this regard, in advance of gaining the regulatory benefits expected to result from the successful completion of the Transactions, TIM Group's retail rates are subject to AGCOM's approval. See "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*" and "*TIM Group Regulation*" for further information. Anatel also publishes rates for certain services, such as fixed-line services, which are permitted to be adjusted for inflation. See "*TIM Group Regulation*."

Major Suppliers, Contractors and Distributors

The TIM Group's primary suppliers are involved in the provision and deployment of fixed-line and mobile telecommunications network as well as in the supply of mass-market products, such as, for example, smart devices and software licenses.

To operate in Italy and Brazil, the TIM Group relies on its own fixed-line and mobile infrastructure. However, following the successful completion of the Transactions, in Italy the TIM Group will rely on the direct ownership of its mobile infrastructure, data centers, backbone and further equipment and infrastructure components that are not included in the NetCo Business, and will acquire fixed-line wholesale access services to maintain its fixed offerings to its retail customers. See "*Summary—The Transactions*." Accordingly, on the Acquisition Closing Date, the TIM Group will enter into the Master Services Agreement with NetCo, which, following the Transactions, will become a prominent provider of broadband and ultrabroadband wholesale access services in Italy.

NetCo is expected to become a supplier of fixed-line wholesale access services over the medium to long term for the TIM Group. Their relationship is expected to be positive for the TIM Group as result of several factors, including, among others (i) the extended duration of the Master Services Agreement and(ii) the provision of certain services by the TIM Group to NetCo, enabling NetCo to offer its services to OLOs. Furthermore, the Master Services Agreement is expected to continue guaranteeing competitiveness of the TIM Group for its retail operations.

See "*Summary—The Transactions—Master Services Agreement*," "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business and Industry,*" "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business and Industry—Following the successful completion of the Transactions, the TIM Group will acquire from NetCo certain fixed-line wholesale access services. Therefore, the TIM Group's costs and results of operations could be materially affected if NetCo, for any reason, fails to develop, maintain, repair, upgrade, protect and replace its existing fixed-line network in Italy in order to meet the needs of the TIM Group"* and "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business and Industry—Following the successful completion of the Transactions, any deterioration of the relationship with, or in the financial condition of, NetCo*

could negatively impact the TIM Group's business, financial condition and results of operations" for further information.

IT Systems and Security

The TIM Group recognizes cyber security as one of its greatest areas of risk as it handles enormous amount of information technology assets that are either their own or are being managed to deliver services to its customers.

In Italy, the TIM Group has a defined security plan for its information technology assets, to mitigate risks by regular monitoring. The security operation center of the TIM Group is available 24/7 to manage security incidents and help limit their impacts. The TIM Group also has an insurance program to cover cyber risks. In relation to the equipment it supplies, the TIM Group uses advanced testing laboratories to test the devices for safety before they are released to the market and isolated environments to identify possible vulnerabilities in the hardware and software products used in its network. In relation to the Russia-Ukraine war, the TIM Group, which is acting in coordination with the Agency for National Cyber Security (ACN), has raised the alert level in relation to cyber risk.

On April 21, 2023, the TIM Group acquired TS-Way, an Italian company specialized in prevention and analysis services for information technology attacks and cyber threat intelligence. The acquisition was completed through Telsy, a member of the TIM Group that is focused on the cybersecurity sector, and which operates under the scope of TIM Enterprise.

In Brazil, the TIM Group has obtained certifications for the management of cyber security and transparency, such as ISO 27001.

Please see "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business and Industry—System and network failures could result in reduced user traffic and reduced revenue and could harm the TIM Group's reputation*" and "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business and Industry—The TIM Group's businesses are subject to cybersecurity risks*" for more details.

Employees

As of December 31, 2023, the TIM Group had 47,149 employees, including 37,639 employees in Italy and 9,267 employees in Brazil. The average age of the TIM Group's employees was approximately 49 for the same period.

Certain of the TIM Group's employees are represented by trade unions. In November 2022, TIM signed an agile working agreement focused on young people and fragile resources with trade unions in respect of the period from February 2023 to February 2024. This agreement impacted approximately 28,500 employees of the TIM Group for the year ended December 31, 2023.

On March 21, 2023, TIM and certain trade unions signed an agreement pursuant to Article 4 of Italian Law No. 92/2012. The agreement involved an incentive for up to 2,000 people to take redundancy and was valid until November 30, 2023.

In April 2024, TIM and the trade unions signed an agreement for the application of the Defensive Solidarity contract for the period from April 2024 to June 2025, which on April 12, 2024, was ratified by the Ministry of Labor. In that occasion, TIM, in reaffirming the value of negotiations and trade union relations, and in line with consolidated company relations, confirmed that all employment positions will be safeguarded for the duration of the solidarity contract. The agreement provides for an average percentage of weekly reduction in working hours of 11.4% and includes also Noovle S.p.A., Olivetti S.p.A., Telecontact Center S.p.A. and T.I. Sparkle S.p.A. Agile working agreement has been extended until September 15, 2024.

In August 2022, the TIM Group signed an expansion contract for the period 2022-2024 (the "**Expansion Contract**") which terminated in February 2024. This Expansion Contract aimed to support the business transformation process, renewal of technical-professional skills, and to ensure the presence of new professional profiles through a recruitment plan. This Expansion Contract defined the measures to support the objectives of the 2023–2025 Industrial Plan to empower TIM and certain companies of the TIM Group, including TI Sparkle S.p.A., Telecontact S.p.A., Noovle

S.p.A. and Olivetti S.p.A., and involved approximately 30,000 TIM Group employees. The Expansion Contract was based on 4 pillars:

(i) the recruitment plan, targeting the hiring of specific roles and skills;

(ii) the early retirement plan;

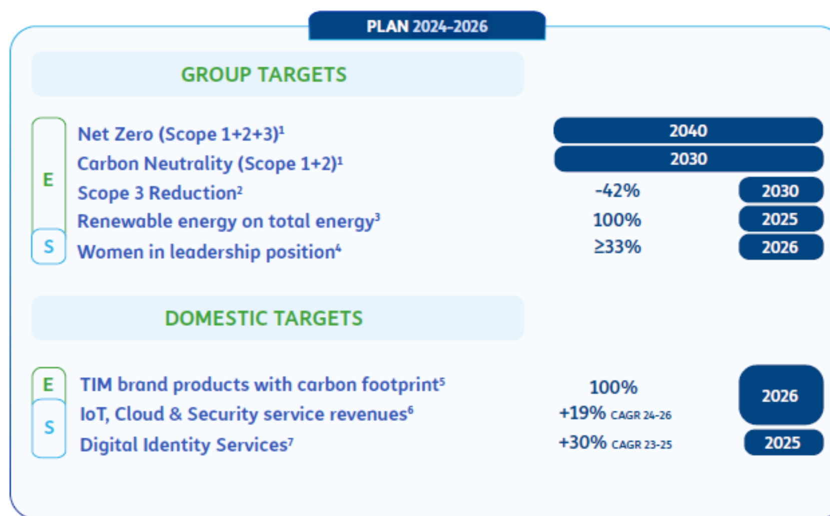
(iii) the training and retraining project, which included both re-skilling and paths aimed at acquiring new skills; and

(iv) working hours reduction.

As of December 31, 2023, 43% of the TIM Group's board of directors were women and 28% of women hold managerial positions within the TIM Group.

Sustainability of the TIM Group

The TIM Group is dedicated to ensuring its business operations are sustainable in all spheres of its operations. It takes steps to regularly monitor its operations to ensure that it can unceasingly improve its performance. The efforts that the TIM Group has implemented to enhance sustainability include the greater use of renewable sources of energy (green electricity amounted approximately to 72% of the TIM Group's total electricity purchased in 2023), the increase of reusing and recycling of materials, the implementation of policies aimed at reducing CO_2 emissions and greater 'circularity' of the TIM Group's products, services and assets. The TIM Group is currently operating under its "ESG Plan" for 2023-2025 and it is working on its "ESG Plan" for 2024-2026 (the "**2024-2026 ESG Plan**"). The TIM Group has set 8 targets, 5 at the TIM Group level and 3 targets for its operations in Italy to meet over a short-term basis. A snapshot of TIM Group's ESG targets and its performances towards these targets under the 2024-2026 ESG Plan, is set out below:



[1] Baseline 2023. For scope 3, categories 1, 2 and 11 are considered
[2] The target has been reformulated to take into account the change of the baseline to 2023 and according to SBTi's annual reduction expected up to 2030
[3] Electricity purchase
[4] Weighted average of target Italy ≥30% made up of "Italian women managers and directors" and target Brazil ≥36% made up of "Brazilian women managers and directors"
[5] Sellout of TIM branded modems
[6] Baseline 2023
[7] PEC, SPID, Digital Signature (growth of active services, baseline 2022)

Source: Company Information

In defining the TIM Group's targets, the TIM Group has focused on four main areas of intervention:

- *Environmental protection*: the TIM Group aims for an efficient infrastructure with an increasing use of renewable energy, circular models for recycling and recovery of waste as well as the engagement with suppliers with ESG credentials and commercial offerings;

- *Digital growth of Ital*y: the TIM Group commits to bringing ultra-fast connectivity throughout Italy and to continue to offer and develop innovative digital services for individuals, businesses and local and national public administrations;

- *TIM peopl*e: the TIM Group will continue to enhance its workforce's skills, foster talent and to reduce the gender gap; and

- *Strengthen governanc*e: the TIM Group is committed to integrate good governance into its decision-making at all levels, to minimize risks and costs.

Some of the key steps that the TIM Group has taken towards achieving its targets in Italy in 2023, through more than 70 projects, are as follows:

- the reduction of its scope 1 emissions (i.e. emissions from production activities such as trigeneration, transport, ozone depleting gases, heating and generator sets) by 8% compared to 2022;

- the reduction of its scope 2 emissions (i.e. emissions from purchase of electricity to power infrastructure and offices by a 32% compared to 2022;

- the implementation of a new "Power Purchase Agreement" with a duration of 9 years for the supply of approximately 200 GWh/year of green energy for the period 2023-2031, which supplements the agreement signed in 2021 for the supply of 350 GWh/year for 10 years, for a total supply of 540 GW/year;

- the decommissioning of 95% of the public telephone booths out of a total fleet of 14,000 systems;

- the switching off of obsolete landline and mobile telephony devices, for a progressive saving of approximately 154 GWh/year;

- the online activation of eSIMs, providing customers with the opportunity to configure the eSIM via digital identity on their smartphones;

- the launch of the new innovation plan for Sparkle's terrestrial and underwater optical network with new technologies at speeds of up to 800G in Europe, Middle East and South America; and

- the approval of the TIM Group's new code of ethics, recognizing sustainability as a reference point for the TIM Group's long-term strategy.

Compliance with safety at work requirements is assured at the TIM Group level through the application of current applicable legislation starting from when the risk assessment is performed and updated from time to time, along with the relevant document. To strengthen its internal control system, particularly with respect to health and safety matters in the workplace, the TIM Group has implemented a health and safety management system certified according to the ISO 45001:2018 standard.

The TIM Group has achieved various certifications, ten of which specifically focus on ESG issues. In addition, in 2023 the TIM Group introduced a new UNI/PdR 125:2022 certification that recalls the UNI ISO 30415:2021 "*Human resources management: Diversity and inclusion*" that certifies a gender equality management system and its importance for the TIM Group.

Additionally, the TIM Group recognizes the risk of electromagnetic pollution which is inherent to the telecommunication industry. Accordingly, in relation to construction of mobile network infrastructure (radio base stations), all regulations and processes on electromagnetic pollution limits are strictly respected by the TIM Group.

Further, the TIM Group believes that the digital sector is the engine of economic and social growth. Accordingly, it takes proactive steps to offer products and services which cater towards a green economy. The TIM Group has been the driving force towards digital transition in Italy and Brazil.

In 2024, the TIM Group has improved its position in the ratings of the environmental organization CDP (formerly Carbon Disclosure Project), earning an "A" and improving on last year's performance, when it had received a "B" rating, and confirming its position once again this year as one of the world's promoters of concrete initiatives to combat climate change. TIM's achievement, with an "A" rating in both in Italy and Brazil, is the result of the decarbonization strategy that sets long-term ESG targets and aims to reduce greenhouse gas emissions through energy efficiency, increasing use of renewable energy and choosing sustainable suppliers.

In 2023, Sustainalytics also classified the TIM Group as industry top rated company with a low ESG risk. In 2023, Moody's ESG Solutions ranked the TIM Group in its first industry group, among other telecommunications companies with an ESG performance above the sector average with a low risk. Furthermore, other remarkable ESG ratings providers have rated the TIM Group. For example, ISS ESG rated the TIM Group with "B-" level and awarded the TIM Group with a "prime status," whereas MSCI ranked both TIM Italy and TIM Brasil in 2023 with an "A" level. Other important recognitions for the TIM Group in 2023 were (i) the inclusion in the "Dow Jones Sustainability Europe Index" through the industry leaders and first telecommunications company in Italy, (ii) the inclusion in the "Refinitiv D&I Index" as the first telecommunications company worldwide, (iii) the Platinum LEED (Leadership in Energy & Environmental Design) certification for the South Milan data center premises and Gold LEED for other 3 data centers and (iv) the award at the Institutional Investor Awards 2023 with the "Best ESG Program 2023" in the "Mid Cap" category. The TIM Group has also been awarded the "Diversity Brand Award 2024" for its commitment to diversity and inclusion matters.

Property and Leases

The TIM Group operated through 692 monobrand stores (212 owned stores, 304 franchise stores, 184 dealer monobrand) in Italy in addition to its headquarters and branch office in Rome.

Insurance

The TIM Group maintains insurance coverage for property damage, data breaches, business interruptions, directors' and officers' liability, professional indemnity, third party liability, product liability, employer's liability, crimes, goods in transit liability and construction related liability. The TIM Group's insurance coverage is regularly reviewed to ensure that it is adequate and that deductibles and premiums are at reasonable levels. The TIM Group does not insure against certain operational risks for which insurance is unavailable or which can only be insured on what it believes to be on unreasonable terms, such as political risk, war and terrorism. The TIM Group believes that the levels of risks insured, risks retained and the limits of insurance indemnity are broadly in line with industry practice, but it cannot guarantee that it could not be adversely affected by damage or accidents despite possessing said insurance coverage.

Legal Proceedings and Disputes

From time to time, the TIM Group has become involved in litigation relating to claims arising out of its operations in the normal course of business. Some of the material litigations involving the TIM Group are described below, along with the potential financial loss to the TIM Group, calculated as of December 31, 2023 (unless specifically stated below, the TIM Group does not make any determination or estimation as to the predicted outcome of the following litigations). Additionally, for informational purposes only, certain amounts in this section "*Legal Proceedings and Disputes,*" have been translated from BRL into Euro, and the exchange rate used for this translation is calculated at the average exchange rate for the year ended December 31, 2023.

- *Vivendi case:* On December 15, 2023, TIM was notified of a writ of summons from Vivendi, in its capacity as shareholder of TIM, challenging the validity and effectiveness of TIM's board of directors' resolution of

November 5, 2023, which approved the Transactions and the Transaction Agreement. Vivendi did not file a precautionary injunction, nor did it seek an emergency injunction against the execution of the board of directors' resolution and the resulting contractual acts. TIM has entered an appearance in the lawsuit on February 12, 2024 to challenge the merits of the arguments and claims made by Vivendi, confirming the validity of the board of directors' resolution and the contractual arrangements entered into with Optics to give effect to the Transactions. On April 11, 2024, TIM and Vivendi respectively filed their first additional briefs, by which neither party filed additional claims nor requested precautionary injunctions. The first hearing has been scheduled for May 21, 2024.

- *Brazil unit case*: The Brazil Business Unit is involved in certain disputes with tax and regulatory authorities which could lead to a loss of approximately BRL 19,200 million (€3,600 million). These disputes include disputes with: (i) federal tax authorities, over among things, disallowance of tax effect of mergers, tax deductibility of amortization of goodwill, irregularities in managing and reporting of certain regional tax benefits, collectively, amounting to potential loss of approximately BRL 3,100 million; (ii) state tax authorities, in relation to *Imposto Sobre Circulação de Mercadorias e Serviços* (state tax on circulation of goods and services) over among things, reduction of the tax base due to discounts granted to customers, use of tax credits declared by group companies, with respect to the return of loaned telephone handsets, collectively, amounting to potential loss of approximately BRL 10,400 million; (iii) municipal tax authorities over certain matters which could amount to a potential loss of approximately BRL 1,700 million; and (iv) with *Fundo para o Desenvolvimento Tecnológico das Telecomunicações* (FUNTELL, Brazilian fund for technological development of telecommunication) and *Fundo de Universalização dos Serviços de Telecomunicações* (FUST, Brazilian fund for universalization of telecommunication services) over contributions to ANATEL which could amount to a potential loss of approximately BRL 4,000 million.

- *Golden Power cas*e: TIM has appealed the imposition of penalty of €74.3 million in 2017 under the Golden Power Legislation for failure to notify Vivendi group's acquisition of control over the TIM Group. The matter is currently being appealed before the Administrative Tribunal for the Lazio Region (*Tribunale Amministrativo Regionale del Lazio*) and the penalty has been suspended, in light of the TIM Group posting a guarantee bond of €74.3 million with the Italian Golden Power Authority in May 2018 and renewed in November 2022. See "*Risk Factors—Risks Related to The TIM Group—Risks Related to the TIM Group's Legislative and Legal Framework—The Italian Golden Power Authority has exercised, and may in the future exercise, its significant powers under the Golden Power Legislation with respect to the TIM Group, including with respect to the TIM Group's ability to enter into strategic transaction*s."

- *Antitrust case A42*8:

  - Vodafone has filed an appeal in relation to the TIM Group's non-compliance with AGCM's order in relation to the TIM Group's subsequent conduct after the judgements in relation to abuse of dominance (the "**Antitrust Case A428**"), although on January 13, 2017, the TIM Group was served notice of AGCM's final assessment which had recognized that the TIM Group had complied with the Antitrust Case A428 decision.

  - Colt Technology Services commenced legal action for alleged inefficiency and discriminatory conduct by the TIM Group in the wholesale service supply process in light of Antitrust Case A428. Writ of summons before the Milan court were served in August 2015. The damage claimed was quantified as €27 million in loss of profits and damages to its image and commercial reputation. Colt Technology Services had previously advanced an extrajudicial claim for approximately €23 million in June 2015, which the TIM Group had rejected. On February 21, 2024, the Court of Milan rejected in its entirety all claims raised by Colt Technology Services, sentencing the latter to refund the legal expenses.

  - COMM 3000 S.p.A. (formerly known as KQNQWest Italia S.p.A.) commenced legal action for alleged anticompetitive behavior and abuse of dominance by the TIM Group over the period 2009-2011, in the form of technical boycotting by the TIM Group in light of Antitrust Case A428. They claimed damages for a total of €37 million. In the judgment with ruling in April 2019, the Court of

Rome partially received the petitions of COMM 3000 S.p.A., sentencing TIM to pay an amount lower than the amount in the COMM 3000 S.p.A.'s damages claim. In June 2019, TIM appealed against the judgment. In the judgment given in April 2021, the Court of Appeal of Rome partly upheld TIM's appeal, reducing the amount of the compensation due to COMM 3000. In November 2021, TIM has appealed to the Italian Supreme Court (*Corte Suprema di Cassazione*) over the judgment of the Court of Appeal of Rome. The hearing in chambers was held on June 13, 2023. By interim order of July 19, 2023, the Court remanded the case. A new hearing has not been scheduled yet.

- Eutelia and Clouditalia Telecomunicazioni S.p.A. commenced legal action for alleged technical boycott and margin squeeze conduct by the TIM Group in light of Antitrust Case A428. They claimed damages for a total of €40 million. TIM filed an appearance, contesting the claims made by the opposing party and submitting a counterclaim, subject to quantification of the damages incurred during the proceedings. The public hearing for the examination of the court-appointed expert witness, originally scheduled for October 18, 2023, has been postponed to May 22, 2024.

- *Antitrust Case A514*:

  - TIM has commenced an appeal to the Italian Council of State (*Consiglio di Stato*) in relation to the fine of approximately €116 million paid by the TIM Group in 2020 for abusing its dominant position by putting in place an anticompetitive strategy designed to hinder the competitive development of investment in ultrabroadband network infrastructure ("**Antitrust Case A514**"). TIM's previous appeal before the Administrative Tribunal for the Lazio Region was rejected. TIM has appealed before the Italian Council of State against the decision of the Administrative Tribunal for the Lazio Region. Currently, the Italian Council of State arranged for an official technical consultant to be appointed to provide a report on three aspects relating to the profitability of the TIM Group's investment in White areas.

  - In January 2022, Irideos commenced legal action against TIM in the Court of Rome for alleged anti-competitive behavior of TIM from 2017 to 2019 (with effects also in subsequent years) on the wholesale market and the retail market in light of the Antitrust Case A514. Irideos has sought compensation claim of €23.2 million. At the hearing held on June 1, 2022, the investigating judge assigned the parties time for depositing the briefs with terms running from February 15, 2023, and deferred the case to be heard on June 7, 2023. The public hearing for the examination of the evidence was held on October 5, 2023. Having acknowledged the request for postponement made by Irideos, on the grounds of the proceedings pending on Case A514 before the Italian Council of State, the Court adjourned the case to the hearing of October 10, 2024.

- *Open Fiber case*: In March 2020, Open Fiber ("**OF**") commenced legal action against TIM before the Court of Milan, claiming damages of €1,500 million for alleged abuse of an exclusive and dominant position in relation to OF. The alleged actions consist of: (i) preemptive investments in FTTC networks in white areas; (ii) initiating specious legal action to obstruct Infratel tenders; (iii) spurious repricing of certain wholesale services; (iv) commercial lock-in offers on the retail market; (v) false disclosure to AGCOM in connection with the approval of a wholesale offer and spreading rumors about TIM being interested in acquiring OF; and (vi) discriminatory access conditions to TIM passive infrastructure. Enel S.p.A. intervened in the proceedings, asking that TIM be ordered to compensate all damages suffered and being suffered by Enel S.p.A. and OF, without, however, quantifying such damages. During the course of proceedings, OF redetermined the damage allegedly suffered, increasing it to €2,600 million plus interest and monetary revaluation. OF has also clarified that it believes such damages are still to be suffered. Enel S.p.A. then quantified the damages allegedly suffered as approximately €228 million, plus interest. On October 19, 2022, the hearing was held for admission of the evidence, after which the judge reserved the right to deliberate. By order of July 17, 2023, the Court of Milan lifted the reservation and scheduled the hearing for closing arguments on April 3, 2024. At that hearing, the judge asked the parties to file brief summary notes to outline the conduct (and alleged violations) at issue in the case and decided to schedule a further hearing to await the outcome of the assessments by the court-appointed technical expert that has, in the meantime, been ordered

in the antitrust case currently pending before the Council of State. As a result, the case was adjourned to the following hearing on June 12, 2024.

- *Eutelia and Voice Plus appeal*s: In June 2009, Eutelia and Voice Plus commenced legal action against TIM for investigation into TIM's alleged acts of abuse of dominant position in the premium services market (based on the public offer of services provided through "**Non-Geographic Numbers**"). They claimed damages at a total of approximately €730 million. In a judgment issued in February 2018, the Milan Court rejected the Eutelia and Voice Plus' claim for compensation, ordering them, jointly and severally, to pay the legal costs. In March 2018 Eutalia and Voiceplus proposed an appeal against the judgment at first instance. TIM appealed against the claim, requesting confirmation in full of the judgment in the first instance. The appeal of Eutelia and Voiceplus was fully rejected with the judgment of August 5, 2019. In December 2019, Eutelia and Voiceplus appealed to the Italian Supreme Court over the judgment of the Court of Appeal. TIM notified a counterclaim asking confirmation of the ruling appealed against. The hearing in chambers was held on February 16, 2023. On the request of Eutelia and Voice Plus, at the hearing of February 16, 2023, public discussion was ruled, for which a date has not yet been scheduled.

- *Poste (Italian postal service) appea*l: Poste has appealed the decision of the Rome Court of Appeals from 2019 where it had failed to receive a favorable order for recovering approximately €58 million in relation to certain contracts for supply of IT goods and services from the TIM Group. By order of February 29, 2024, the Italian Supreme Court declared Poste's appeal inadmissible.

- *Iliad case*s:

  - Iliad S.p.A. ("**Iliad**") has commenced legal action against the TIM Group for application of unlawful contractual conditions to customer with reference to mobile and fixed telephone offers for €120.4 million. The case has been deferred for the ruling of the conclusions to the hearing of May 28, 2024.

  - Iliad has also commenced legal action against the TIM Group for anti-competitive conduct, including through the Kena Mobile brand, which was allegedly aimed at hindering Illiad's entry to and consolidation in the mobile phone market in Italy, seeking damages of at least €71.4 million. TIM filed an appearance, counterclaiming with reference to the denigration implemented by Iliad in regard to TIM and formulating a symmetrical claim for compensation for damages. In the first preliminary brief, Iliad updated its claim for damages, taking it to €242.8 million. Following submission of the closing arguments and statements of defence, the Court of Milan partially upheld Iliad's claim, declaring that TIM's actions were unlawful, pursuant to Article 2598 paragraph 1 no. 3 of the Italian Civil Code, with reference to only one of the violations alleged by Iliad. As to the Iliad's claim for damages, the Court of Milan dismissed it arguing that it was totally ungrounded. As a consequence, on December 15, 2023, Iliad challenged the ruling of the Court of Milan and filed an appeal. The first hearing will be held on May 8, 2024.

  - Iliad has also commenced legal action against among other, TIM and INWIT before the Court of Milan to assess the alleged unlawful conduct of INWIT, Telecom and Vodafone, consisting of refusal to allow Iliad to upgrade its mobile telephone transmission systems installed on INWIT-owned infrastructures. Iliad is seeking compensation for the damages allegedly suffered, which it has reserved the right to quantify during the course of proceedings. The first appearance was filed at the hearing held on April 5, 2023, and the court reserved the objection of nullity of the writ of summons raised by TIM. At the hearing on March 6, 2024, the Court scheduled the next hearing for May 14, 2024

- *C6 partnership–- Arbitration proceedings*: The TIM Group and C6 bank had entered into an arrangement under which the TIM Group would receive commission on every account opened by the TIM Group customer. Additionally, the TIM Group received shares in the bank upon achieving certain targets connected to the number of active accounts. Disagreement between the TIM Group and C6 bank has led to the parties taking the matter into arbitration. If the decision is held against the TIM Group, its partnership with C6 bank will be terminated.

- *Oi acquisition–- Arbitration proceedings*: The TIM Group is disputing closing adjustments under the share purchase agreement entered into in relation to the acquisition of Oi and is seeking to be indemnified for approximately BRL 231 million. The matter is pending in arbitration proceedings. The TIM Group has deposited BRL 670 million with the 7th Business Court of the Judicial District of Rio de Janeiro, with such deposit to be released once the arbitration proceedings are completed.

- *Fastweb (Ethernet ATM migration*): The TIM Group has commenced legal action against Fastweb for failing to achieve the migration from ATM bitstream technology to Ethernet bitstream technology in the agreed manner and has sought, among other reliefs, approximately €79.2 million in damages. Fastweb filed an appearance and submitted a counterclaim for abuse of a dominant market position and breach of contract counterclaiming around €81.4 million in damages. Having noted that the counterclaim made by Fastweb would appear to go beyond the profile of breach of contract and that, in this case, the specialized business chambers may be competent to judge the matter, the investigating judge has returned the case to the Chambers President for due consideration. The Chambers President has submitted the case to the President of the specialized business chambers. The first hearing was scheduled for December 14, 2022. The hearing for the admission of the preliminary motions has been postponed to June 13, 2023. Following the filing of the preliminary briefs, Fastweb updated the quantification of the damages allegedly suffered as a result of TIM's unlawful conduct to approximately €101.1 million, of which €13.2 million are conditional upon the Court upholding TIM's main claim. At the hearing held on June 13, 2023, the investigating judge reserved judgment. The investigating judge then rendered a decision and ordered the appointment of an expert witness. The hearing for the examination of the court-appointed expert witness has been scheduled for September 17, 2024.

- *Restitution of license fee from 199*8: The TIM Group had commenced legal action against the Italian government seeking compensation of concession charges for 1998 of approximately €529 million, excluding among other things, legal interest, where its claim was held to be inadmissible. TIM Group has appealed the order. On April 3, 2024, the Court of Appeal of Rome ruled in favor of the TIM Group's appeal, awarding it approximately €1 billion. This sum includes the original license fee of approximately €500 million, in addition to revaluation and accrued interests. The judgment is immediately enforceable. However, as of the date of this Exchange Offer Memorandum, it is uncertain whether the Italian government will appeal the judgement.

- *Telenergia litigatio*n: TIM had commenced a litigation on November 17, 2022, against Telenergia before the Court of Rome, with a claim equal to approximately €34 million relating to the reimbursement to TIM of surtaxes paid by TIM, through Telenergia, to the Italian tax authority for the supply of energy in 2010 and 2011. The litigation was initiated on the basis that, due to the most recent guidance applicable to energy supply, a customer (i.e. TIM) is entitled to seek reimbursement from the Italian tax authority of undue surtaxes related to the supply of energy only upon conviction of the supplier (i.e. Telenergia).

For additional information and a description of other litigation of the TIM Group, please see Note 23 to the 2023 TIM Audited Consolidated Financial Statements. For additional details in relation to regulatory proceedings, please see "*TIM Group Regulation*."

BUSINESS OF NETCO

This business section includes certain technical terms that are commonly used within NetCo's industry. See "Glossary" for a detailed explanation of these terms. The estimates regarding NetCo's market share and relative market share are derived from the TIM Group and Optics internal data and certain extrapolations. For more detailed information on the industry in which NetCo operates, please see "NetCo Industry Overview." Unless explicitly stated otherwise, the following summary of NetCo's business as well as references to the "TIM Group" reflect the effects and implications of the Transactions as if they had already occurred. See "Summary—The Transactions."

Overview

NetCo is the largest national independent not vertically integrated open-source fixed-line network provider by revenue in a major European country with €3,977 million revenue and €1,948 million Organic EBITDA-AL for the year ended December 31, 2023, after giving *pro forma* effect to the Transactions. NetCo will be the leading national fixed-line wholesale network in Italy, providing mission-critical digital infrastructure to households and businesses. As of December 31, 2023, NetCo, through its comprehensive suite of services and indirectly via its extensive customer base comprising approximately 550 telecommunications operators, has captured 84% of the access services for the fixed broadband market share, excluding FWA and 76% including FWA, as of September 2023. Additionally, NetCo holds in excess of 60% of premium connectivity market share as of December 31, 2022.

NetCo exhibits attractive infrastructure characteristics, including: (i) a difficult to replicate, operate and maintain network infrastructure with broad national FTTC coverage and an expanding FTTH network with limited overlap outside of Black Areas (as defined below), (ii) strong underlying demand in the Italian fixed broadband market, (iii) longstanding relationships with major operators, including TIM as the anchor tenant, as well as Fastweb, Vodafone, WindTre and SkyWifi, who generate high sales volumes, (iv) a hedge to technology risk, as its existing ADSL and FTTC network provides a natural hedge against the possibility of slower than expected FTTH take-up, and (v) strong profitability and cash flow conversion, with Organic EBITDA-AL for 2022 and 2023, after giving *pro forma* effect to the Transactions, of €1,812 million and €1,948 million, respectively.

NetCo's extensive network infrastructure in Italy will include 9.0 million kilometers of backbone fiber optics, more than 7 million square meters of real estate and more than 14.8 million kilometers of fiber optics corresponding to 372,000 kilometers of fiber cables, of which 135,000 kilometers of backbone and 237,000 kilometers of access as of December 31, 2023. After giving effect to the Transactions, NetCo will also have a strong workforce of approximately 19.9 thousand employees.

Italy represents one of the most attractive markets in Europe, given its low fixed broadband penetration in comparison to other European markets and is the only country to lack a DOCSIS co-axial cable infrastructure among major European countries. See "*NetCo Industry Overview*." Within Italy, NetCo's FTTx infrastructure stands at approximately 22 million homes passed as of December 31, 2023, delivering good broadband speeds of 50 to 200 Mbps. Currently, there are 9.2 million homes passed in Italy by FTTH infrastructure representing an attractive opportunity for continued FTTH development. Fiber network overlap is currently limited to Black Areas (as defined below) only and there is a low risk of new entrants in the FTTH market given the challenges of building a scaled infrastructure and driving penetration. NetCo is well positioned to benefit from the secular growth trend of fixed broadband in Italy, which is expected to reach 88% penetration by 2031 as a result of expected FTTH coverage expansion and progress in digitalization.

A significant portion of NetCo's subscribers comes from operators other than the TIM Group. NetCo's relationships with its direct customer base are also characterized by longevity, with an average customer relationship duration of multiple years and anchor customers that, following the Transactions, will include the TIM Group and other leading operators underpinned by multi- term contracts.

NetCo's fiber roll-out strategy is backed by strong and stable profitability and cash flow generation, with Organic EBITDA-AL Margins of approximately 49% and 47%, for the years ended December 31, 2023 and 2022, respectively, after giving *pro forma* effect to the Transactions. NetCo's FTTC network also provides high stability and long term visibility of revenue.

NetCo's physical infrastructure assets are central to Italy's economy, providing long term cash flows with limited correlation to economic cycles.

Furthermore, NetCo is backed by strong support from KKR, which has a strong track record in investing in infrastructure. NetCo was also subject to a memorandum of understanding (the "**MoU**") between the Italian Government and KKR signed on August 10, 2023 with respect to the Italian government obtaining a minority stake in NetCo. The MoU has been superseded by the Agreed Form SHA, which reflects the provisions of the MoU (with such amendments as agreed between KKR and the Italian government).

NetCo's Key Strengths

NetCo is expected to benefit from the following competitive strengths, some of which will be further strengthened by the successful completion of the Transactions:

NetCo owns the largest independent fiber network in Europe and is expected to be the first independent network player in a major European economy.

NetCo is expected to become the main national fixed line wholesale network in Italy and the third largest by revenue in Europe. Its scaled national infrastructure network is expected to become the first largest and independent fiber network (including its FTTH and FTTC networks) in a major European economy, meaning that it will not be vertically integrated or owned by a fixed-line or mobile telecommunication operator and will be able to offer services on an operator-neutral basis and as an independent player. For the year ended December 31, 2023, after giving *pro forma* effect to the Transactions, NetCo generated €4 billion in revenue. NetCo is expected to be the only operator in Italy with a national infrastructure capable of reaching almost every home passed. With an infrastructure network that is invested across several fixed line technologies (ADSL, FTTC and FTTH), NetCo's FTTx coverage extended to 22 million homes passed and its FTTH coverage of 9.2 million homes passed as of December 31, 2023 represented 58% of its roll-out plan.

NetCo is expected to benefit from 9.0 million kilometers of backbone fiber optics, more than 7.0 million square meters of real estate and more than 14.8 million kilometers of fiber optics corresponding to 372,000 kilometers of fiber cables, of which 135,000 kilometers of backbone and 237,000 kilometers of access network and NetCo is also expected to benefit from a strong workforce of 19.9 thousand employees.

NetCo's fixed line network in Italy represents mission-critical strategic infrastructure.

NetCo is expected to own a wholly penetrated fixed-line network in Italy, potentially ensuring the widest national coverage through a network that will extend across several technologies, including both copper and fiber, and reaching nearly all Italian households and businesses. Its nationwide network includes 13.7 million copper accesses, providing nearly 100% FTTC coverage and NetCo is committed to increasing its 1.5 million FTTH accesses as of September 30, 2023. The scale and depth of NetCo's infrastructure makes it hard to replicate.

NetCo underpins a mission-critical fiber connectivity market with growing demand for reliability, high speeds and bandwidth from across society, including consumers, businesses, the public sector and carriers. With increasing digitization in all areas of life and business and continuous growth in Internet traffic, the mission-criticality of NetCo's fixed line network is underlined by the fact that down time in the network could trigger significant financial, social, reputational and security impacts.

NetCo has strong relationships with all major Italian operators and will further benefit from the Master Services Agreement with TIM.

NetCo is expected to have a strong customer base with blue-chip customers, in areas where it competes, and commercial relationships with all the major operators in the areas where it is the sole network provider of ADSL, FTTC and FTTH. In particular, in Black Areas, TIM Group as NetCo's anchor tenant, as well as Fastweb, Iliad and Tiscali combined account for more than half of NetCo's subscriber base. NetCo also benefits from agreements with Vodafone, WindTre and SkyWifi, either directly or via wholesale agreements with Fastweb.

Additionally, upon the successful completion of the Acquisition, on the Acquisition Closing Date, TIM and NetCo will enter into a master services agreement (the "**Master Services Agreement**" or "**MSA**") pursuant to which NetCo will provide or procure certain services to TIM and TIM will provide or procure certain services to NetCo. NetCo will mainly provide: (i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers, (ii) premium connectivity services such as point-to-point fiber optic connectivity, (iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end-consumers, (iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo, (v) energy supply and procurement services (which will be specifically provided by Telenergia,) and (vi) other minor services. On the other hand, the TIM Group will mainly provide certain ancillary services including : (i) mobile telecommunication services for NetCo's employees, (ii) hosting arrangements within TIM Group's data centers, (iii) access to the corporate network, (iv) the provisions of IT services supporting NetCo's employees activities and (v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs. The MSA will have a general duration consisting of a first term of 15 years with a renewal mechanism for an additional term.

NetCo will be the main wholesale operator in Italy and anticipates the completion of its FTTH infrastructure deployment in Grey Areas as outlined in the NRRP tenders, by 2027.

NetCo reached 84% of the access services market for fixed broadband, excluding FWA, and 76% including FWA as of September 2023. NetCo is expected to become the sole wholesale provider of fixed broadband (including ADSL and FTTC) at scale in each area it serves in Italy, except for FTTH where there is network overlap in Black Areas. NetCo's unique positioning in the fixed-line broadband market is underpinned by the extensive and comprehensive reach of its network infrastructure due to significant historical investment, which is difficult to fully replicate mainly due to the high costs and capital expenditures associated with developing a comparable infrastructure that offers similar national coverage, latency and bandwidth.

In Italy, FTTH coverage and competition is segmented according to European Union guidelines into Black, Grey and White Areas, with an added level of granularity within Grey and White Areas provided by the TIM Group's accounting of the impact of the "Italia a 1 Giga" plan (based on management's estimates):

- White Areas are areas without ultrabroadband (UBB) networks (connectivity), where private investors do not intend to invest in the next three years without public support. Within these White Areas, low density area (reaching approximately 4.3 million households) s have been granted a concession by Infratel to Open Fiber for service provision. In contrast, in very low density areas (reaching approximately 0.5 million households), undertaking fiber roll-out investments is not considered economically efficient.

- Grey Areas are areas in which an ultrabroadband network is present or is expected to be developed in the next three years by a single private operator per lot. Subsidies associated with the "Italia a 1 Giga" plan are allocated to only specific segments of these Grey Areas. Given the lack of significant overlap between NetCo's and Open Fiber's fiber networks, NetCo and Open Fiber act as the sole providers in their respective subsidized areas.

- Black Areas are areas in which at least two ultrabroadband networks of different operators are present or are expected to be developed over the next three years. In Italy's case, the Black Areas would be those areas of the market where both NetCo and Open Fiber are present and their respective fiber networks overlap.

Specifically, outside of certain Black Areas, where NetCo's market share and that of its sole competitor, Open Fiber, are determined by wholesale agreements with telecommunications operators, there is limited FTTH overlap and NetCo is expected to remain the main FTTH provider where NetCo rolls out FTTH, as a result of unit economics and government concessions:

- In certain Grey Areas, NetCo has started to roll out its FTTH network, aiming to bring its coverage up from 19% to 100% by 2027, while competitors have no official roll-out plan in these areas and low ARPU relative

to capital expenditure per house passed makes competition and overbuild, in which a network provider builds a competing network in an area already served by an existing network, economically unattractive.

- In other, more suburban Grey Areas, the roll-out of FTTH is allotted to either NetCo or Open Fiber on an exclusive, subsidized, area-by-area basis as determined by the result of the "Italia 1 Giga" tender mapping through the NRRP. In May 2022, the TIM Group was awarded seven lots for the FTTH rollout, covering approximately 2.9 million "unique addresses" that could potentially receive connectivity. This number was halved following the completion of walk-in activities in July 2023. Italy's "Italia a 1 Giga" plan aims to provide better connectivity in rural areas, covering approximately 6.9 million unique addresses. The plan involves subsidies of €3.7 billion and aims to cover areas not included in any fixed ultrabroadband roll-out plan. Under the tender scheme, subsidies to cover a maximum of 70% of the overall eligible investments are available under a roll-out timetable to be completed by June 2026. The temporary business group (raggruppamento temporaneo di imprese) between TIM and FiberCop, which has been awarded €1,628 million of subsidies to roll out fiber to its seven lots under the "*Italia a 1 Giga*" tender represent the maximum amount of subsidies that was available to it under the scheme. As part of the Acquisition, the "Italia 1 Giga" plan and its associated subsidies will be transferred, in whole or in part, to NetCo.

In White Areas, NetCo is expected to mainly operate through its existing FTTC network. No NetCo FTTH roll out is foreseen in certain White Areas where Open Fiber operates as the sole FTTH network provider.

Although wholesale telecommunication operators in Italy currently compete on a single network, with the exception of Black Areas and certain Grey Areas where long-term wholesale agreements are in place, Italy has two main network operators deploying fiber nationally: NetCo and Open Fiber. In contrast, peer European countries such as Spain, Germany, the United Kingdom, and France feature at least four fiber network deployers focusing on different geographic areas.

Italy also features a supportive framework incentivizing investments in digital infrastructure with subsidies and support through the aforementioned "Italia a 1 Giga" plan.

NetCo operates in a very attractive Italian market with strong digitalization tailwinds and where its FTTC network provides a hedge against slow FTTH take-up.

Italy is one of the most attractive markets in Europe, having a low fixed broadband penetration rate of 66% of households in comparison to rates exceeding 80% for peer European countries as of 2021.

Italy is the only major European country to lack DOCSIS co-axial cable infrastructure, having instead one primary nationwide network for Internet connectivity based on copper infrastructure. See "*NetCo Industry Overview*." This has resulted in an extensive, high-quality FTTC network with average distance between cabinets and premises among the shortest in Europe, thereby ensuring high connection speeds. This FTTC network provides a valuable complement to the significant opportunities for FTTH development in Italy.

These FTTC connections remain resilient and cash generative in the Italian market, delivering high speed broadband speeds of up to 200 Mbps, supporting a strong customer base in the long term. As of September 30, 2023, FTTC accounted for approximately 65% of NetCo's subscribers, whereas FTTH and ADSL and traditional voice accounted for 11% and 25%, respectively. In the medium term, FTTC connections are expected to maintain stability as the migration from FTTC to FTTH is anticipated to be balanced by the shift from legacy technologies (primarily ADSL and traditional voice) to FTTC.

As a result of the sufficiency and quality of Italy's FTTC connections, the FTTH market in Italy also remained underpenetrated at 13%, as compared to an average of 35% across the European Union as of September 30, 2022 (*source: FTTH Council, April 2023*), supporting significant digitization opportunities as customers migrate. The availability of FTTH in the Italian market is anticipated to grow rapidly from 53.7% coverage of homes available in 2022 to 85% by 2026, with NetCo expected to be a significant contributor to such growth. See *"—NetCo will be the main wholesale operator in Italy and anticipates the completion of its FTTH infrastructure deployment in Grey Areas as outlined in the NRRP tenders, by 2027.*"

For NetCo, the ownership of the sole national FTTC network provides a natural hedge against the possibility of slower fiber take-up by subscribers, despite FTTH becoming widely available.

Stable revenues with large, resilient cash flows.

NetCo's strategy is underpinned by strong and stable profitability and cash flow generation with high long term visibility, with Organic EBITDA-AL for 2022 and 2023, *pro forma* after giving effect to the Transactions, of €1,812 million and €1,948 million, respectively. In particular, NetCo's resilient cash flows are further underpinned by its stable cash flow generated by its ADSL and FTTC services and certain multi-year wholesale contracts in place, including the Master Services Agreement.

After giving *pro forma* effect to the Transactions, for the year ended December 31, 2023, NetCo's revenue amounted to €4 billion.

As NetCo rolls out its fiber network, it is expected that NetCo will significantly reduce its operational costs base and capital expenditure requirements. After giving pro forma effect to the Transactions, for the year ended December 31, 2023 and 2022, NetCo's assurance and maintenance capital expenditures represented approximately 18% and 21% of its capital expenditures, respectively. FTTH and FTTC are more energy-efficient than copper, requires lower central office density and less maintenance than copper, and their greater reliability requires fewer field support staff.

KKR's track record in managing infrastructure in Italy in partnership with the TIM Group provides a strategic advantage in managing NetCo following the Transactions, as further supported by a slate of blue-chip investors

KKR is a leading global investment firm with more than $553 billion of assets under management, including more than $50 billion in infrastructure assets. After the Transactions, KKR will indirectly exercise sole control over NetCo. KKR will be able to provide NetCo with a dedicated team of highly experienced professionals, enhanced through the interaction with KKR Capstone, a team of approximately 100 operating executives who work with portfolio company senior managers to help identify and implement operational improvements.

KKR's investment in NetCo will follow its strong track record of investments in fiber infrastructure and will represent a natural continuation of its investment in FiberCop in which it indirectly acquired a 37.5% stake in 2021. KKR has successfully completed eight fiber transactions globally, including, among others, the acquisition of a 30% stake in the Norwegian Telenor Fiber AS in 2023 and the acquisition of a 49% stake in the Spanish dark fiber operator Eléctrica Infraestructuras de Telecomunicación SAU (Reintel) in 2022. KKR believes that through these acquisitions it has helped accelerate the speed of fiber roll-out, customers' and subscribers' migration and the overall development of the telecommunications infrastructure space in the respective countries. With its involvement in NetCo, KKR aims to leverage the strong track record and experience in Italy it has gained since the 2021 acquisition of its stake in FiberCop, the TIM Group company that combines its secondary network and its fiber network infrastructure.

Furthermore, a blue-chip slate of investors will be investing in NetCo alongside KKR, as minority shareholders on the terms set forth in the Agreed Form SHA, including (directly or indirectly) the MEF, the Abu Dhabi Investment Authority, F2i (Fondi Italiani per le Infrastrutture) and Canada Pension Plan Investment Board. This strategic partnership is expected to align NetCo's strategy with the Italian digitalization agenda. See "*Principal Shareholders of Optics—Principal Shareholders of Optics—Shareholders' Agreement*."

NetCo's Strategy

NetCo, as a prominent independent wholesale provider of fixed broadband services in Italy, aims to benefit from growth opportunities from Italy's underpenetrated fixed broadband and ultrabroadband connections, as only approximately 66% of Italian households have a broadband connection versus an average European penetration of approximately 78% as of December 31, 2022 (*source: "Digital Economy and Society Index 2022" – European Commission*). The ongoing investment program to deploy FTTH, in certain areas, also benefits from government support under the NRRP for the "*Italia a 1 Giga*" and "*5G Backhauling*" initiatives, for which the TIM Group has been awarded and will receive a reimbursement totalling approximately 70% and 90% of the total eligible investments for the "*Italia a 1 Giga*" and "5G Backhauling" plans, respectively. Data consumption in Italy is expected to continue growing, driven primarily by broadband connectivity usage and will be further supported by the FTTH deployment.

As reported by AGCOM, fixed data traffic over the first nine months of the year has doubled between 2019 and 2023. Following a FTTH investment cycle, NetCo expects to become a focused infrastructure company with stable cash flows as a regulated business set to guarantee third-party access to large communication service providers.

Leading on sustainability by advancing digitization

NetCo intends to accelerate Italy's transition to a digital and sustainable economy through innovative infrastructure and digital solutions. NetCo aims to create efficient infrastructure with an increasing use of renewable energy, circular models for recycling and recovery of waste and selection of suppliers by evaluating their commitment to sustainability. The fiber roll-out is key to NetCo's sustainability project as, in addition to being more energy efficient, production of fiber results in significantly lower CO_2 emissions than copper wires, and fiber is made of abundant, non-harmful silicon dioxide. In addition, NetCo's energy-saving plan has already led to 28 GWh of fixed network energy savings in 2023 via decommissioning activities that included the shutdown of obsolete technologies and services, such as network exchanges. NetCo also adopts new processes to avoid waste and transform it into value, such as measuring the revenue generated by lower waste production and an increase in the resale of waste and unused goods

Go-to independent wholesale provider

NetCo intends to become the leading independent wholesale provider of fixed broadband services in Italy by offering services on a non-discriminatory operator-neutral basis. This will drive scale and network utilisation as well as further reinforce the aforementioned digitalization tailwinds in Italy.

Future-proofing investment program

While NetCo has built a next-generation fixed 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. NetCo intends to continue its FTTH roll-out, with the aim to achieve approximately 48% FTTH coverage of all households by 2025, up from approximately 38% as of December 31, 2023 and approximately 32% as of December 31, 2022.

NetCo's investment plans are expected to meet customer demand for high-speed services and to provide the critical high capacity fiber backhaul services required by mobile operators to meet the growing demand for mobile data services. Growth in data traffic is expected to increase the utilization of NetCo's fiber network. The ongoing investment program benefits from government support under the NRRP for the "Italia a 1 Giga" and "5G Backhauling" initiatives.

NetCo's cost savings potential

The shift from copper to fiber is expected to reduce the operational cost structure and result in slowing capital expenditure requirements, as fiber features lower real estate requirements, while increased take-up from the operational status of the planned deployment of FTTH network is expected to further contribute to economies of scale and growth in profitability. Further, additional significant savings are expected from other aspects of the business, including:

- the use of more efficient technology enabling a significant reduction in maintenance costs, providing for 4x savings for certain technologies; and

- the natural retirement of NetCo's workforce will contribute to adjust the staff base over time while allowing NetCo to hire young talent and reskilling the current workforce. For context, 53% of NetCo's workforce is more than 55 years old as of December 31, 2023.

Moreover, in relation to wholesale tariffs, AGCOM has approved, and the EU Commission has greenlighted, an increase in regulated access prices for 2023 in comparison to 2022, for certain jurisdictions, including Italy, which are applicable retroactively from January 1, 2023.

NetCo's Business

With €3,977 million revenue and €1,948 million Organic EBITDA-AL for the year ended December 31, 2023, after giving *pro forma* effect to the Transactions, NetCo is the first national independent open-source fixed-line network provider nor vertically integrated in a major European country by revenue. As the leading national broadband and ultrabroadband wholesale operator, with a significant portion of subscribers deriving from telecommunications operators other than the TIM Group, NetCo offers critical digital infrastructure related services and products in the Italian telecommunication sector.

NetCo's network is supported by a considerable asset base, featuring approximately 9.0 million kilometers of fiber optics backbone, 14.8 million kilometers of fiber optics corresponding to 372,000 kilometers of fiber cables, of which 135,000 kilometers of backbone and 237,000 kilometers of access network in primary and secondary networks and more than 7 million square meters of real estate as of December 31, 2023. NetCo's strong market position is further reinforced by a significant workforce of approximately 19.9 thousand employees. This positions NetCo as the largest national open-access fixed-line network provider in terms of homes passed that functions without vertical integration.

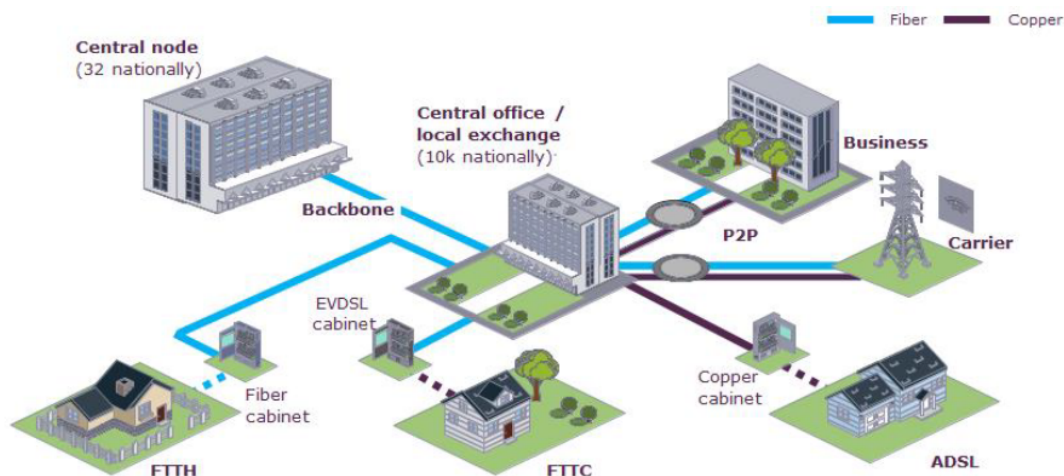
Historically, the cost-oriented model used by AGCOM for wholesale access markets offered by the TIM Group, upon the recommendation of the European Commission, is BU-LRIC^{+} (as defined below) model. The BU-LRIC^{+} model determines service pricing by considering network and equipment costs, projected sales volumes, maintenance, commercial costs and the impact of the cost of capital. However, NetCo is expected to become a wholesale-only enterprise within the scope of Article 80 of the European Electronic Communications Code (the "**EECC**") and Article 91 of the Italian Communications Code. Accordingly, NetCo's pricing determinations will no longer be based on a cost-oriented model but will be subject to criteria set in the AGCOM's Market Analyses. For more information, please see "NetCo Regulation" and "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business Activity and Industry—To the extent cost-orientation obligations based on the BU-LRIC+ model, as implemented by AGCOM, could be maintained with regard to certain of NetCo's activities, NetCo's business, results of operations and financial condition may be adversely affected*." As a wholesale-only fixed-line network provider, NetCo's business model does not involve direct selling to the public but, instead, it includes a diverse range of network, broadband and ultrabroadband solutions to telecommunications operators, mainly through long-term wholesale agreements.

NetCo's business spans a comprehensive range of activities over its fixed-line network, leveraging broadband and ultrabroadband technologies. NetCo offers connectivity services (for voice and data related services) to telecommunications operators, develops fiber optic networks for wholesale clients and provides active access services and associated equipment to its access networks. In addition to these services, NetCo manages the maintenance and repair of its fixed-line network infrastructure and the care of related offices and buildings, as well as the provision of network engineering functions.

Backbone and Access Networks

NetCo's network infrastructure consists of two main components: the backbone and the access networks. The backbone consists mainly of optical fibers and transport nodes. The access network consists of copper cables, optical cables and access nodes. As of December 31, 2023, NetCo passed approximately 22 million homes with FTTC and FTTH-only (i.e. without taking into account overlaps with FTTC), demonstrating extensive coverage throughout Italy.

The graphic below shows, for illustrative purposes, the structure of NetCo's network, from the central nodes in the national backbone, to the local exchange and then onward to business and individual premises.



Source: Company information

Backbone

NetCo's backbone consists of a robust optical fiber network that connects 32 national central offices to 565 regional central offices and approximately 10,000 local central offices.

The 32 strategically located central nodes are also known as national points of presence ("**PoPs**") and implement the national backbone. These national PoPs are critical nodes for network traffic and are equipped with advanced control policies, service provisioning capabilities and secure customer data storage facilities owned by the telecommunication operators that buy connectivity services from NetCo. The national backbone architecture is entirely based on optical cables and designed to optimize performance and reliability.

The regional backbone consists of 565 regional central offices, regional PoPs, and connects the 32 national PoPs to the approximately 10,000 local central offices. Spanning 9.0 million kilometers, NetCo's regional backbone is constructed entirely of fiber optics cables. Through the access network it links customer sites to the PoPs of the telecommunication operators that buy connectivity services from NetCo.

Access Network

NetCo has an extensive access network infrastructure of approximately 114.4 million kilometers of copper pairs and 14.8 million kilometers of fiber passing through aerial and ducted cables, spanning the Italian territory. With respect to NetCo's FTTC network, which uses copper network to connect customer premises to the street cabinet), the fiber access network extends from the local central offices to the street cabinets, where active equipment is installed to manage the flow of information and ensure efficient and reliable communication. With respect to NetCo's FTTH network, no active equipment is installed and the access network, both primary and secondary, is entirely passive and consists of fiber optics cable and passive optical components.

Local PoPs are connected to street cabinets by either fiber or copper. As of December 31, 2023, 86% of cabinets were fiber-connected, supporting the FTTx infrastructure. The remaining 14% relied on copper connections to local PoPs, thereby providing ADSL connectivity to end-consumers. This configuration ensures a comprehensive service delivery across the network.

FTTx street cabinets are connected via optical cables directly to 3,700 out of 10,000 local central offices, thereby requiring a lower number of streets cabinets to operate.

Broadband connectivity is provided from the local central offices mainly using ADSL technology. As of December 31, 2023, NetCo's ADSL passed approximately 24 million homes.

The type of ultrabroadband connectivity provided through the street cabinets is determined by the cable infrastructure:

- *FTTC*. FTTC involves fiber connections to the cabinets, with copper lines completing the connection to households and commercial buildings. This configuration allows for higher speeds of up to 200 Mpbs compared to ADSL due to the fiber connection to the cabinets, while maintaining the existing copper infrastructure to individual premises. As of December 31, 2023, NetCo's FTTC services passed approximately 22 million homes.

- *FTTH*. FTTH represents the most advanced level of service, with fiber connections running from the cabinets directly to households and commercial buildings. This offers the highest speed available, with fiber optics connections extending to both street cabinets and individual premises. The development of FTTH infrastructure is a primary focus for the Italian government, market participants and the overall advancement of the network infrastructure. In October 2022, NetCo, as part of the TIM Group, was the first operator in Italy and among the first in Europe to launch the consumer and business offer with high-performance FTTH fiber connections up to 10 Gigabits per second using its XGS-PON (10 Gigabit capable Symmetric Passive optical networks) technology. As of December 31, 2023, NetCo's FTTH services reached approximately 9.2 million homes.

NetCo's strategic deployment of its network infrastructure underscores its commitment to deliver top-tier telecommunications services and maintaining its strong market presence in Italy. The dual investment in copper and fiber technologies alongside a strategic placement of PoPs reflects NetCo's dedication to constructing a scalable and resilient network and to adapting to the changing needs of its customer base.

Business Areas

Following the successful completion of the Transactions, NetCo's business will be mainly comprised of the following three business areas: the Access Services Area, the Premium Services Area and the Others Business Services Area. In 2023, on a pro forma basis, access services, premium and other services amounted to 61%, and 39% of NetCo's revenue, respectively, whereas in 2022, these services represented 64% and 36% of NetCo's revenue, respectively. The operations of each of NetCo's three business areas are described below.

Access Services

The primary revenue driver for NetCo is its Access Services area, which includes revenue deriving from services provided to telecommunications operators which have not developed any infrastructure or have developed partial infrastructure and use NetCo's network to provide various connections to their respective retail consumers via traditional voice, ADSL, FTTC and FTTH. Given Italy's lack of DOCSIS co-axial cable infrastructure, these technologies represent the major broadband and ultrabroadband options available, setting Italy apart from other European countries where cable infrastructure may also be prevalent. For more information, please see "*NetCo Industry Overview*." NetCo's Access Services offering encompasses the full range of these connectivity solutions. For the year ended December 31, 2023, after giving pro forma effect to the Transactions, NetCo's revenue from ADSL and traditional voice services, FTTC services and FTTH services represented approximately 31%, 60% and 9% of NetCo's revenue. In 2022, these services accounted for 36%, 58% and 6% of NetCo's revenue, respectively.

NetCo, being the Italian incumbent network operator, leases, in all or in part on non-discriminatory conditions, its network to other authorized telecommunications operators ("**OAOs**") and other licensed telecommunications operators ("**OLOs**"). NetCo's comprehensive architecture, enables it to meet the specific requirements of such telecommunications operators by offering access at different points within its architecture. The services provided are tailored to the particular segment of the network that the relevant operators intend to benefit from.

Access Services network coverage

As of December 31, 2023, NetCo's access network coverage was 24 million households, excluding FWA lines. NetCo is the sole wholesale provider of FTTC services at scale in Italy serving approximately 22 million households nationwide, except for limited portions of Black Areas where Fastweb and Vodafone can compose FTTC services but must still rent passive sub-loop unbundling (SLU) from NetCo to offer connectivity from the cabinet to their respective

end users (which is therefore accounted within ADSL & Traditional Voice services). NetCo is one of the only two main fixed-line network providers of FTTH with approximately nine million households located predominantly in Black Areas. Despite a growing market preference for higher-speed connectivity, NetCo remained the sole provider of ADSL services 24 million homes passed within the same period.

NetCo's coverage varies across different areas.

Black Areas

In Black Areas, NetCo either functions as the sole provider or engages in competition with its direct competitor, Open Fiber. As of December 31, 2023, in Black Areas, NetCo was the main provider of FTTC services, with a total coverage of approximately 100% (or approximately 8.5 million households). In the FTTH segment, NetCo had a total coverage of approximately 82% (or approximately 7.0 million households) for the same year. For FTTH services, the construction of additional network infrastructure is carefully planned and executed. The aim is to achieve the most efficient use of resources and investment, known as unit economics, which helps to balance cost-efficiency with the delivery of high-quality services. As of December 31, 2023, NetCo had completed 82% of its planned FTTH roll out in Black Areas.

Grey Areas

In Grey Areas, as of December 31, 2023, NetCo maintained its position as the main FTTC network provider, with a total coverage of approximately 100% (or approximately 11 million households, of which 7.6 million are in the portion of Grey Areas subject to competition and 3.4 million are in certain other subsidized Grey Areas). In contrast to its extensive FTTC network, NetCo's FTTH infrastructure within Grey Areas subject to competition was more limited, with a total coverage reaching approximately 24% and serving approximately 1.8. million households. As of December 31, 2023, NetCo served more than 0.2 million households in certain subsidized Grey Areas through the tender awarded under the *"Italia a 1 Giga"* plan.

White Areas

In White Areas, for the year ended December 31, 2023, NetCo's FTTx coverage reached 48% (or approximately 2.3 million households).

Despite NetCo's current limited FTTH coverage in Grey and White Areas, the Italian regulatory environment is broadly supportive of fiber-based network growth, with the Italian government committed to fostering the expansion of the national telecommunications infrastructure. This commitment is evidenced by the government support, such as funds available under the NRRP for "Italia a 1 Giga" and "5G backhauling" initiatives, aimed at technological advancement within public administration and extending reach to rural areas, including the subsidized portions of the Grey and White Areas. For further details on NetCo's regulatory framework, please see "*NetCo Regulation.*" Aligned with the Italian government's objectives, NetCo is exploring opportunities to expand into these underserved areas and is actively participating in the "Italia a 1 Giga" tender.

Access Services offerings

NetCo's service offerings include Bitstream Access, Virtual Unbundled Local Access (VULA) both on fiber (VULAH) and copper networks (VULAC), Unbundled Local Loop (LLU), Sub Loop Unbundled Access on copper network (SLU) and passive fiber services (full-GPON and semi-GPON) on FTTH network, each designed to meet the diverse needs of its customers. NetCo mainly focuses on Bitstream Access and VULA solutions.

NetCo's Access Services revenue model is structured around two key components: an initial activation fee and a recurring fee. This approach affords NetCo a clear and consistent revenue stream, ensuring stability and predictability in its financial performance.

Premium Services

In its Premium Services Area, NetCo offers a wide array of services to telecommunications operators which have not developed any infrastructure or have developed partial infrastructure. Such operators rely on NetCo's extensive

network to deliver various connectivity solutions to business customers, including corporate clients and the Italian public sector. In particular, it offers six main services, as further detailed below:

- *Colocation*. NetCo offers a comprehensive colocation service, allowing OLOs to host their infrastructure within its strategically located PoPs and other sites.
- *Dark Fiber.* NetCo provides an essential service in the form of dark fiber leasing, which is a critical component for backhaul connectivity. NetCo grants OLOs an Indefeasible Right of Use ("**IRU**") for laid, yet inactive, fiber optic cables.
- *Premium Connectivity Links.* NetCo offers a connectivity service, catering to operators with a need for high-grade, high-performance connectivity solutions for their business clients.
- *Infrastructure*. NetCo provides a suite of infrastructure services spanning from essential backhauling solutions to access to advanced network capabilities. It offers an IRU to operators, granting them the right to access or use the route between cable pit 'one' of a local exchange and cable pit 'one' of a higher-level exchange.
- *Others.* NetCo is set to expand its service offerings to include operations and maintenance and other related services.

Other Services

The Other Services mainly relates to technical assistance services, awarded government subsidies as well as certain services rendered to the TIM Group under the Master Services Agreement. See "*Summary— The Transactions—Master Services Agreement*" for further details.

Property and Leases

As of December 31, 2023, NetCo managed operations across approximately 14,200 offices, industrial complexes, mixed-use properties and parcels of land, covering a total area of more than 7 million square meters, of which 29% were directly owned.

Intellectual Property

As part of its business operations, NetCo may take actions to protect its proprietary rights in its network and related technology, including through registration of trademarks and application for patents. As of December 31, 2023, none of NetCo's patents are material to its business and business operations.

Patents

As of December 31, 2023, NetCo held 68 issued patents and an additional 5 patents applications pending. Typically, patents are protected for a duration of 20 years. The patents currently held by NetCo are scheduled to expire at various times between the years 2025 and 2043, with 43 of these patents set to expire by December 2030. As of December 31, 2023, NetCo has not been made aware of any legal challenges to the validity of its patents by any third parties.

Customers

NetCo is the leading national provider of wholesale broadband and ultrabroadband services in Italy, extending its services to approximately 5,750 municipalities and passing approximately 22 million homes with FTTC and FTTH-only (i.e. without taking into account overlaps with FTTC) as of December 31, 2023, after giving effect to the Transactions. Remarkably, a significant portion of such customer base is derived from a variety of operators other than the TIM Group, demonstrating NetCo's extensive market penetration and capacity to attract a diverse range of end-users.

Through its services, and indirectly through its customer base of approximately 550 telecommunications operators, NetCo reached approximately 84% of the access services market for fixed broadband, excluding FWA and 76%

including FWA, as of September 2023 and more than 60% of the premium connectivity market as of December 31, 2022, spanning from consumer customers, SMEs, SOHOs, the Italian public sector and other large accounts, enterprises, fixed-line telecommunications operators, Internet service providers or access service providers in the wholesale market to multinational companies. Furthermore, its customer base is predominantly national, with approximately 59.0 million of subscribers being Italian, reflecting a well-distributed demographic reach across the country.

In Black Areas, NetCo's key tenants include TIM and Fastweb, with Iliad and Tiscali also being tenants outside of Black Areas, NetCo's key tenants expand to also encompass Vodafone, Wind3, Sky Wifi, and other telecommunications operators.

NetCo is committed to sustaining its strategic, multi-year relationships with its direct customers, striving to be an irreplaceable component of their operations. NetCo's customer relationships are characterized by multi-year business relationships. This includes a cadre of anchor customers, which, following the successful completion of the Transactions, will include the TIM Group, which is one of NetCo's anchor clients, accounting for a significant portion of NetCo's revenue. For further information see *Summary—The Transactions—Master Services Agreement*." A portion of the TIM Group's customers will transition to NetCo, further solidifying NetCo's customer base. Additionally, NetCo has established wholesale agreements with most of the principal operators in competing areas, ensuring a competitive edge and fostering enduring partnerships. This strategic positioning allows NetCo to leverage its unique market status to secure favorable terms and maintain multi-year customer relationships.

Material Contracts

NetCo's business derives mainly from multi-year wholesale agreements with business and retail telecommunications operators. NetCo's customer relationships vary with the type of connectivity service provided. As the leading FTTC provider, NetCo provides network access to all telecommunications operators in Italy. In the FTTH market, NetCo competes mainly with Open Fiber in Black Areas due to overlapping networks. In White and Grey Areas, although both NetCo and Open Fiber operate, their networks do not currently have significant overlapping coverage. See "*NetCo Industry Overview*" for further information. As a result, in Black Areas, NetCo has developed strong relationships with certain key clients, including the TIM Group and Fastweb.

TIM Group

The TIM Group is the natural anchor tenant of NetCo mainly due to historical ownership reasons and the Master Services Agreement expected to be signed on the Acquisition Closing Date. See "*Summary—The Transactions—The Master Services Agreement*."

Master Services Agreement

Please see "*Summary—The Transactions—Master Services Agreement*."

Transitional Services Agreement

Please see "*Summary—The Transactions—Transitional Services Agreement*."

Employees

As a result of the Transactions, a number of employees from the TIM Group will transition to NetCo. See "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business and Industry—NetCo is exposed to the risk of labor disputes*" and "*Business—The TIM Group—Employees.*" As of December 31, 2023, after giving pro forma effect to the Transactions, NetCo had approximately 19.9 thousand employees, approximately 19.0 thousand of which were full-time employees. The average age of NetCo's employees was 53. As of December 31, 2023, approximately 20% of women hold managerial positions in NetCo.

The majority of NetCo's employees' relationships is subject to collective bargaining agreements. In general, the collective bargaining agreements include terms that regulate remuneration, minimum salary, salary complements, extra time, benefits, bonuses and partial disability. NetCo's employees in Italy are subject to various collective

bargaining agreements (*contratti colletivi nazionali di lavoro*) ("**CCNL**") including, CCNL for employees in the telecommunications sector, and CCNL for executives in the industrial sector.

NetCo is required by Italian law to employ employees considered by law to be disabled in a percentage constituting at least 7% of its workforce. It is also required by Italian law to employ employees considered by law to be disadvantaged in a percentage constituting at least 1% of its workforce. As of December 31, 2023, the TIM's Group did not have the required number of employees considered by law to be disabled, but because it had opened a collective redundancy procedure its obligations were suspended for the duration of the procedure. Following successful completion of the Transactions, NetCo is expected to start the affiliation procedures with the employment centers of certain Italian large cities.

Pensions

Italian law provides that, upon termination of employment, Italian employees are entitled to severance (*pagamento di fine rapporto*) based on their annual salary, the duration of their employment and the rate of inflation. NetCo has in place both defined-contribution and defined-benefit pension plans. NetCo makes pension contributions on behalf of its employees as required by applicable Italian law. Other than increases in contributions required by law, no significant pension liabilities are expected going forward. All obligations, liabilities and commitments that relate to employees (including among other things, liabilities for statutory severance (*pagamento di fine rapporto*), bonus payment obligations and statutory social security contributions) accrued until the Acquisition Closing Date that are recorded for the purposes of determining the consideration for the contribution from the TIM Group to NetCo will be transferred to NetCo. Without prejudice to the obligations undertaken towards employees, which NetCo will be required to respect, in the context of the Transactions, the liabilities towards the employees that will be transferred from the TIM Group to NetCo (including, without limitation, severance payments, statutory social security liability or any salary increases not in the ordinary course of business compared with the last twelve months prior to Acquisition Closing Date) that have arisen or accrued prior to the Acquisition Closing Date or as a result of the Transactions will not be transferred to NetCo.

Insurance

NetCo maintains insurance coverage for property damage, data breaches, business interruptions, directors' and officers' liability, professional indemnity, third party liability, product liability, employer's liability, crimes, goods in transit liability and construction related liability. NetCo's insurance coverage is regularly reviewed to ensure that it is adequate, and that deductibles and premiums are at reasonable levels. NetCo does not insure against certain operational risks for which insurance is unavailable or which can only be insured at unreasonable terms, such as political risk, war and terrorism. NetCo retains levels of risks insured, risks retained and the limits of insurance indemnity which are mainly in line with the industry practice, but it cannot guarantee that it could not be adversely affected by damage or accidents despite possessing said insurance coverage. See "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business and Industry—Uninsured losses, losses in excess of insurance coverage for certain risks and unanticipated changes in NetCo's insurance costs could have a material adverse effect on its business, financial condition, cash flows and/or results of operations*" for further details.

Environmental, Social and Governance

NetCo is dedicated to ensuring its business operations are respectful of ESG principles in all spheres of its operations. One of its primary goals is to accelerate Italy's transition to a digital and sustainable economy through innovative infrastructure and solutions.

Fiber optics are significantly more energy-efficient than copper, with estimates suggesting that fiber is significantly more energy-efficient. Additionally, fiber-based networks require fewer central offices, enabling a reduction in central office density when transitioning from copper to fiber. This consolidation contributes to lower energy consumption and operational costs.

Maintenance demands for fiber are also substantially lower than for copper. The durability of fiber, less susceptible to atmospheric conditions, results fewer faults and a longer mean time between failures in comparison to copper. Consequently, the shift to fiber is expected to result in a considerable reduction in maintenance costs.

From an environmental perspective, the production of fiber optics is associated with significantly lower CO_2 emissions compared to the production of copper wires.

NetCo takes steps to regularly monitor its operations to ensure that it can unceasingly improve its performance. By pursuing these strategies, NetCo can contribute to economic prosperity, environmental resilience and societal well-being, thereby shaping a more sustainable and inclusive future for Italy.

Environmental

NetCo's commitment to the implementation of ESG criteria and values includes, among other things, the greater use of renewable sources of energy, decommissioning activities and the adoption of responsible processes to avoid waste and transform it into added value.

NetCo is in the process of pursuing a strategic transition from copper to fiber-based infrastructure, recognizing the long-term sustainability benefits of fiber as a superior alternative to the legacy copper network. This shift is not only aimed at enhancing the technological capabilities offered to its customers but also at minimizing NetCo's environmental impact. In particular, NetCo aims at creating a sustainable and efficient infrastructure with an increasing use of renewable energy, decommissioning activities and a selection of suppliers committed to sustainability. Fiber optics are significantly more energy-efficient than copper and their production and use result in significantly lower CO_2 emissions compared to copper wires. Moreover, fiber is composed of silicon dioxide, the second most abundant material on the earth's crust, and its use does not pose environmental hazards. The decommissioning of copper networks also presents an opportunity to generate a stockpile of copper that can be recycled, further contributing to circular economy and resource efficiency.

For the year ended December 31, 2023, NetCo's energy-saving plan led to 28 GWh of fixed-line network energy savings and decommissioning activities, including shutting down obsolete technologies and services, contributed to these savings. These actions will accelerate in the next years with projects aiming at switching off legacy technologies.

Social

Beyond environmental considerations, NetCo is equally dedicated to amplifying its positive social impact. This commitment is underscored by efforts to expand FTTH coverage, thereby advancing digital service penetration and addressing the Italian Digital Divide, which affected approximately 38%, or 9.2 million, of households as of December 31, 2023.

In addition, NetCo is deeply committed to continue investing in its human resources and to cultivating an inclusive and diverse corporate culture with certain initiatives aimed at promoting gender equality, bridging the digital divide and enhancing media literacy.

Furthermore, NetCo has developed a comprehensive corporate welfare framework designed to support the well-being of its employees and to nurture a strong sense of belonging within the organization.

Governance

NetCo has inherited the TIM Group's long-lasting achievements in sustainability, responsibility and positive impact on its operations and the community, further strengthening NetCo's ESG governance. Through regular monitoring and reporting, NetCo ensures diligent oversight and transparent communication of its projects and objectives. Engaging with stakeholders remains a cornerstone of NetCo's approach, essential for measuring progress and fostering ongoing enhancement.

Legal Proceedings and Disputes

As of the date of this Exchange Offer Memorandum, NetCo is not currently involved in any legal proceedings which, either individually or in the aggregate, are expected to have a material adverse effect on its reputation, results of operations and financial condition. See "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business and Industry—NetCo may be involved in disputes and litigation with regulators, competition authorities, competitors*

and other parties and may become the subject of a number of investigations by judicial authorities, the ultimate outcome of which is generally uncertain."

TIM GROUP INDUSTRY OVERVIEW

Unless otherwise stated, all information regarding markets, market position and other industry data contained in this Exchange Offer Memorandum is based on the TIM Group's own estimates, internal surveys, market research, customer feedback, publicly available information and industry reports prepared by consultants. In many cases, there is no readily available external information (whether from trade associations, government bodies, other industry organizations or competitors) to validate market-related analyses and estimates, resulting in the TIM Group's relying on its own knowledge of the industry and markets it operates in and its own internally developed estimates. Certain of the information presented herein has been derived from external sources, including reports prepared by a major consulting firm, public websites and company financial reports and other independent third-party research. Any third-party sources the TIM Group uses generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed, and that the projections they contain are based on significant assumptions. Similarly, while the TIM Group believes that internal surveys, industry forecasts, customer feedback and market research the TIM Group has used in making its estimates are generally reliable, none of this data has been independently verified. Market data and statistics are inherently subject to uncertainties and not necessarily reflective of actual market conditions. There can be no assurance that any of the assumptions underlying these statements are accurate or correctly reflect the TIM Group's position in the industry or the relevant markets, and none of the TIM Group's internal surveys or information have been verified by any independent sources. None of the TIM Group or the Dealer Managers makes any representation or warranty as to the accuracy or completeness of the industry and market data set forth in this Exchange Offer Memorandum, and none of the TIM Group or the Dealer Managers have independently verified this information and cannot guarantee its accuracy.

Italian market overview

As of September 30, 2023, the TIM Group held a leading position in Italy across the fixed broadband and mobile (total SIM) markets, with retail market shares of approximately 40% and approximately 28%, respectively by number of lines (Source: Market shares as per AGCOM (Communication market monitoring system no. 4/2023), data as of September 2023).

Italy's population in 2022 was 58.9 million (the third largest country by population in the EU) with 25.3 million households in 2022 according to data from ISTAT. Approximately 72% of the population lives in urban areas and 28% in rural areas according to data from the World Bank, with a trend toward urban areas averaging 40 basis points per year between 2010 and 2022. Italy is a founding member state and the third largest economy in the EU with a GDP of USD 2.0 trillion and GDP per capita of USD 34,776 in 2022, according to data from the World Bank. The effects of the COVID-19 pandemic, which struck Italy before the other European countries, resulted in a slowdown of the Italian economy of 9.0% in 2020, followed by a rebound of 8.3% in 2021 and 3.7% in 2022. According to the Bank of Italy, Italy's gross domestic product is expected to record a growth of 0.6% in 2024. Such growth is in line with the growth recorded in 2023, which was mainly due to a high inflationary environment and tightening of financial conditions.

As of the date of this Exchange Offer Memorandum, Italy is rated by Moody's, S&P and Fitch (collectively the "**Rating Agencies**") at Baa3, BBB, and BBB, respectively. All three ratings have been reconfirmed by the Rating Agencies in the past six months. Italian household expenditure on telecommunications services comprised 1.9% of total expenditures, while revenues on telecommunications services represented 1.4% of the GDP in 2022.

The Italian telecommunications market generated €26.9 billion (including wholesale) during the twelve months ended December 31, 2022, slightly decreasing by approximately 3.3% year over year, mostly as a result of declining prices. In particular:

- revenues generated by the Italian mobile market decreased by approximately 5.3%, to €11.7 billion; and
- revenues generated by the Italian fixed broadband market decreased by approximately 1.7%, to €15.2 billion.

The COVID-19 pandemic and the consequent measures put in place by the Italian government to limit social interactions resulted in a strong increase of data traffic per line. Hence, following the COVID-19 pandemic, the annual

average daily unitary data traffic increased by approximately 48.7% and approximately 56.5% year on year in 2020 for the fixed and mobile networks respectively, and continued to grow both in 2021 and 2022. As a result, the average daily data traffic for 2022 was 23.7% and 69.6% higher compared to 2020 for the fixed and mobile networks, respectively according to AGCOM. The growth was confirmed also in the first nine months of 2023, where average daily data traffic was higher if compared to the same period of 2022, with a growth of 13.3% and 22.3% for the fixed and mobile networks, respectively.

The Italian telecommunications market is rapidly evolving, mainly due to the deployment of broadband and ultrabroadband technologies, with the introduction and expansion of 5G mobile, FTTC and FTTH networks. The market has seen approximately €46 billion of investments in fixed assets between 2017 and 2022, approximately 4.9% of all investment activities in the Italian economy. The digital modernization of Italy's communication infrastructure is accelerating due to the substantial investments provided under the NRRP, approximately 27% of which will be allocated to support the digital transition – *see below.* The growing availability of ultrabroadband connections is increasingly allowing operators to develop converged offerings combining telecommunication services with media and entertainment, IT and digital services.

The Italian telecommunications market remains highly competitive, especially in the voice and data connectivity services. Moreover, in the new digital world, telecommunication operators have to deal with over-the-top ("**OTT**") and device manufacturers with completely different assets and competitive logics. In this context, traditional telecommunication players had to adapt their business models to seize new opportunities, limit the threats from new competitors and develop customized offering to avoid a trend for on-going commoditization of their traditional services. This occurs particularly in the following markets:

- media and entertainment, which sees further development of video-on-demand ("**VOD**") and subscription video-on-demand ("**SVOD**") and OTT services, implying an increasing demand for ultrabroadband connectivity; and

- information and communication technology, where the traditional fixed and mobile connectivity solutions tend to decrease in favor of IT components linked to digital transformation, for example with the adoption of cloud solutions supporting the technological infrastructures of large businesses. In this sector, telecommunications operators are best positioned to monetize future growth that should be driven by the digitization of SMBs and NRRP investments in the coming years.

The current positioning of telecommunications operators in convergent markets is therefore expected to evolve through:

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

- the development of Innovative Services in the IT market, in particular in the end-to-end connectivity, Cloud, IoT, AI and Cybersecurity fields.

National Recovery and Resilience Plan (NRRP)

In June 2021, the European Commission approved the recovery and resilience plan submitted by Italy. This forms part of the EU's coordinated response to the COVID-19 pandemic with a focus on a green and digital transition from the pandemic. Italy's recovery and resilience plan allocates 27% of NRRP funds to support the digital transition. Measures under the digital transition plan will support the digitalization of businesses and the expansion of ultrafast broadband networks and 5G connectivity. Italy's recovery and resilience plan sets out a series of initiatives with the aim of taking ultrabroadband connections throughout Italy by the end of 2026 and full 5G coverage of the populated areas fixed by the new European Digital Compass Strategy for 2030. Funds specifically allocated to network connectivity total to €6.7 billion and have been broadly allocated as follows:

- "*Italia a 1 Giga*" plan: €3.86 billion;

- "*Italia 5G*" Plan: €2.02 billion;

- “*Sanità Connessa*” (Connected Health) plan: €0.50 billion;
- “*Scuola Connessa*” (Connected Schools) plan: €0.26 billion; and
- “*Collegamento Isole Minori*” (Smaller Islands Connection) plan: €0.06 billion.

It is expected that the stimulus effect on economic activity of the remaining NRRP funds will also boost the growth in the digital economy and related infrastructure and that this will also indirectly stimulate growth for the country’s telecommunications operators.

Overview of the Italian Fixed Broadband market and competitive landscape

Generating revenue of approximately €15 billion (including wholesale) during the year ended December 31, 2022, Italy is the fourth-largest fixed-line market in Europe (Source: AGCOM). While the Italian fixed telecommunications market continues to be marked by declining fixed voice revenues, broadband and ultrabroadband revenues continue to experience steady growth. There were 18.9 million broadband and ultrafast broadband subscribers as of September 30, 2023. Additionally, there were 20.1 million fixed lines in Italy as of September 30, 2023 (Source: AGCOM) and the Italian broadband market is expected to grow at 0.8% CAGR.

Due to the absence of cable infrastructure and difficult topography, FTTC connections remain a resilient alternative in the Italian market, with an average distance between cabinets and premises among the shortest in Europe, allowing high connection speeds. Similarly, the FTTH market in Italy also remains underpenetrated, at 13% as compared to an average of 35% across the European Union as of September 30, 2022 (Source: FTTH Council, April 2023). Over the last five years the proportion of active DSL lines has declined at a rapid pace, falling from 65.3% in 2017 to 13.5% of total fixed lines subscriptions as of September 30, 2023. In parallel, higher-quality access technologies have increased considerably, with FTTC and FTTH connections reaching 14.2 million as of September 30, 2023, up from 1.6 million of 2017 (Source: AGCOM). The ultrafast broadband technologies can achieve different speeds, with FTTC ranging from 30 Mbps to 200 Mbps, FTTH 10 Gbps, and FWA 40 Mbps (4G) to 300 Mbps (5G).

This momentum has increased the proportion of lines with higher broadband speed within the total commercially available connections: the proportion of lines with speeds of more than 30 Mbps of total broadband and ultrafast broadband lines rose from 34.8% in 2018 to 77.3% as of June 30, 2023. Data consumption over the same time period has increased at a rapid pace, the average daily data traffic increased from approximately 70 PetaBytes (“**PB**”) in 2019 to over 148 PB in the first 9 months of 2023 with an average daily traffic per broadband line increasing from approximately 4GB to over 8GB. The expansion of broadband continues to be driven not only by the evolution of enabling devices (e.g., smart TVs, smart speakers, connected devices, etc.), but also by the growing demand for speed and IP services (e.g., media and entertainment, IT, digital services). Growing consumption of data services by businesses is also expected to accelerate the adoption of fixed broadband, including growth in the utilization of cloud services, IOT urban, industrial and merchant services as well as cybersecurity.

In recent years, telecommunication operators have mainly focused on developing broadband and ultrabroadband penetration and defending voice through the introduction of bundled voice, broadband and services packages, in a context of high competition with significant pressure on prices.

The competitive landscape in the Italian fixed broadband market is dominated by TIM Group with 38.4% retail market share as of September 30, 2023, which is more than two times larger than the next competitor, Vodafone with a 16.5% market share. Following the Transaction, TIM Group will continue to provide retail fixed broadband connectivity services to its customers through the Master Services Agreement with NetCo. See “*Summary—The Transactions*.”

Competition in the retail fixed broadband market also includes other ISPs such as WindTre and Fastweb, and new entrants such as Sky, Tiscali, Poste, Enel and Iliad. The latter launched its fixed broadband offer in January 2022, achieving 172,000 subscribers as of September 30, 2023. Some competition comes as well from FWA providers, such as EOLO and Linkem (approximately 3% and 2% of total fixed broadband connections, respectively). However, the FWA technology remains limited representing only approximately 2.1 million connections as of September 30, 2023, or approximately 10.3% of the total broadband lines in Italy.

Overview of the Italian Mobile market and competitive landscape

The Italian mobile telecommunications market generated approximately €11.7 billion revenues for the year ended December 31, 2022, posting a decrease of approximately 5.3% if compared to the previous year. As of September 30, 2023, the mobile telephony market in Italy counted approximately 78.9 million users (corresponding to human SIM cards in use, excluding M2M (as defined below)), broadly stable compared to the prior year (+0.4%), with a mobile phone penetration rate of approximately 134%. The number of "human" SIMs has declined in recent years as a result of the impact of economic conditions on consumers' purchasing power, and the spread of attractive off-net voice rates which have reduced the need for multiple SIMs per user. On the other hand, Machine to Machine ("**M2M**") SIM cards, for internet-enabled devices and sensors (IoT), have continued to grow in 2023 by approximately 3.7% year over year, reaching 29.7 million connections as of September 30, 2023.

Historically, the vast majority of "human" SIMs were activated under prepaid offers, averaging 88% over the last four years (between September 30, 2019, and September 30, 2023). The Italian mobile telephony market is composed of approximately 87% residential and approximately 13% business users (this contrasts with the fixed telecommunications market where business spending represents a larger proportion of the total).

Voice traffic at 192 billion minutes has remained broadly stable with 1.7% CAGR between 2019 and 2022, while the average monthly mobile data traffic per SIM has continued to grow at 36.6% over the same period. The mobile telephony price index, however, kept decreasing at 0.9% CAGR between September 2019 and September 2023 under strong competitive pressure. Mobile service spending has also declined by 5.5% between 2019 and 2022.

The competitive dynamic of the Italian mobile market continues to be marked by an aggressive offering by Iliad, both in terms of price and mobile data plans. Following its entry in the Italian mobile market in 2018 on the back of the remedies imposed on the merger of Wind and Tre, Iliad has gained approximately 13% of the market share (based on "human" lines) as of September 30, 2023, mainly at the expense of largest mobile national operators ("**MNOs**"). Despite this, TIM Group still maintains a strong position with approximately 24% of mobile market share (only human SIMs), almost at par with WindTre (approximately 25%) and Vodafone (approximately 22%). In the post-paid segment, TIM continues to hold a dominant position with approximately 51% market share. In addition, a large number of MVNOs, such as Poste Mobile, Fastweb, Lycamobile, Coop Voce and Tiscali, are active in the Italian mobile market, corresponding to a cumulative market share of approximately 16% as of September 30, 2023. Several existing MVNOs (*e.g.*, Fastweb, Coop Voce and Tiscali) are using TIM's mobile network to connect their customers, implying additional wholesale revenue for TIM.

Lately, the fierce competition in the mobile market has been decreasing. This was reflected in the stabilization of mobile number portability, with the number of portability operations reduced by approximately 45% between the year ended December 31, 2019 and the year ended December 31, 2023. For the year ended December 31, 2023, the TIM Group was a competitive MNO in Italy in terms of market mobile number portability, with a net balance of a loss of approximately 129 thousand lines, in comparison to a net balance of a loss of approximately 379 thousand lines for the year ended December 31, 2021. Additionally, in the year ended December 31, 2023, the TIM Group also saw an ARPU rebound, with €11.2 per month human Calling ARPU (net of mobile termination rate ("**MTR**") discontinuity), an increase of 1.6% year-on-year.

Similarly, cumulative market share erosion of the three largest players (i.e. TIM, WindTre and Vodafone) has been slowing down, representing a 2.5% decrease from September 2022 to September 2023, compared to a decrease of 4.3% from September 2019 to September 2020 (based on "human" lines). The pricing pressure on tariffs has also been easing up, with major mobile operators increasing prices of packages with a "more for more" proposition, offering best-in-class network performance and quality of services. Moreover, some operators, including TIM, have started introducing a CPI-linked mechanisms in their customer contracts. This initiative is supported by AGCOM, who recently published new guidelines for annual CPI-linked price adjustments from 2024. According to the new guidelines for annual CPI-linked price adjustments, CPI-linked price adjustments are not qualified as a change of contract conditions (i.e. there is no right for customers to withdraw without penalty). To include CPI-linked price adjustments in existing contracts, it will require explicit acceptance by the end-user to such adjustments (otherwise, contract is maintained until its expiry of a maximum of two years); and on new contracts, CPI-linked price adjustments can be included through a specific clause. As a part of the approval process of these new guidelines, public consultation

process was launched by AGCOM on April 11, 2023, and with final approval granted on December 5, 2023 (Source: AGCOM).

Looking forward, the on-going 5G deployment and the development of mobile broadband is expected to unlock significant growth potential in the medium term, namely through such services as Mobile Payment and the Internet of Things.

Brazilian market overview

In Brazil, the Brazil Business Unit offers mobile voice and data services, broadband internet access, value-added services and other telecommunications services and products. The TIM Group is one of the key players in the Brazilian market and a leader in full 4G coverage of areas where approximately 99% of the Brazilian population lives and works. As of December 31, 2023, the TIM Group held approximately 24% market share of the Brazilian mobile market, being a strong (the third largest) operator, and approximately 2.7% of the fixed broadband market, offering access via its FTTC and FTTH, as of November 30, 2023.

Brazil is the largest economy in Latin America with a GDP of $1.9 trillion and GDP per capita of $8,918 in 2022 according to data from the World Bank. The effects of COVID-19 pandemic resulted in a contraction of the Brazilian economy by a decrease of the GDP by 3.3% in 2020, with a subsequent recovery of 5.0% in 2021, 2.9% in 2022 and grew 2.9% in 2023. Brazil's population in 2022 was 203.1 million. Approximately 88% of the population lives in urban areas and 12% in rural areas according to data from the World Bank, with a trend toward urban areas averaging 31 basis points per year between 2010 and 2022.

The Brazilian mobile and fixed broadband market accounted together for 302.1 million lines as of November 30, 2023, increasing by approximately 1.5% year-on-year, thanks to the growth in both mobile and fixed broadband. In particular:

- Total mobile lines amounted to 254.9 million, increasing 0.1% year on year; and
- Total fixed broadband lines amounted to 47.2 million, increasing by approximately 5.5% year on year.

Overview of the Brazilian Mobile market and competitive landscape

The number of "human" SIMs in the Brazilian market shrunk over 18 months ended November 2023, posting a decrease of 4.5% between June 2022 and December 2023, mainly driven by the deactivation of a large number of inactive former Oi accounts. As a result, the number of total mobile lines has stabilized at approximately 213 million as of December 2023. The number of M2M SIMs, on the other hand, has grown by 10.2% year-on-year to 43.0 million as of December 2023. The proportion of post-paid SIMs has increased to approximately 58% of total SIM cards in December 2023, growing by approximately 310 basis points per year since 2018.

4G has established itself as the leading mobile technology, available in all 5,570 municipalities and accounting for approximately 76% of total lines as of December 2023 compared to approximately 57% five years ago (December 2018). The deployment of 4G LTE technology has been a key area of competition for Brazil's mobile operators. 5G technology has also been emerging over the past 24 months, accounting for approximately 7% of total lines (or 19 million lines) as of November 30, 2023, more than doubling in the last 6-8 months.

Brazilian mobile market is relatively mature, with a high penetration of mobile services (approximately 126% as of December 2023). However, rapid growth in mobile data consumption, demand for LTE, 5G and digital services, as well as the on-going migration of clients from prepaid to postpaid plans offer good growth potential for the market going forward.

In April 2022, the TIM Group, Vivo and Claro, have completed the acquisition of Oi's mobile assets, leading to a market consolidation from 4 to 3 main players who accounted together for approximately 96% of all mobile lines as of December 2023. As a result, the TIM Group's mobile customer base grew from 52.3 million in March 2022 to 61.2 million in December 2023, implying a 23.9% market share following the integration of Oi mobile customer base. The

TIM Group competes with two other MNOs, Vivo with 38.7% market share and Claro with 33.8% market share. The in-market consolidation is expected to help customer base and ARPU stabilization in the market.

Overview of the Brazilian Fixed market and competitive landscape

The subscriber technology mix is progressively shifting away from cable towards FTTH, which accounted for approximately 74% of total accesses as of November 30, 2023, compared to approximately 30% in November 2019. This trend results in a positive impact on average speeds with approximately 90% of fixed broadband accesses benefitting from speeds of over 34Mbps as of December 2023, compared to approximately 59% three years ago.

Brazilian fixed broadband market remains highly fragmented and characterized by fierce competition and price wars. Small and medium-size regional ISPs represent approximately 54% of the market as of December 2023, while the large telecommunication operators, Claro, Vivo and Oi, command approximately 21%, approximately 14% and approximately 10% market shares, respectively.

The presence of the TIM Group on the fixed broadband market remains limited with a market share of approximately 2% as of December 2023, comparable to other smaller ISPs.

NETCO INDUSTRY OVERVIEW

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Italian market overview

As of December 31, 2023, NetCo holds a leading position in Italy in the fixed access market, with 15.5 million accesses.

Italy's population in 2022 was 58.9 million (the third largest country by population in the EU) with 25.3 million households in 2022 according to data from ISTAT. Approximately 72% of the population lives in urban areas and 28% in rural areas according to data from the World Bank, with a trend toward urban areas averaging 40 basis points per year between 2010 and 2022. Italy is a founding member state and the third largest economy in the EU with a GDP of USD 2.0 trillion and GDP per capita of USD 34,776 in 2022, according to data from the World Bank. The effects of the COVID-19 pandemic, which struck Italy before the other European countries, resulted in a slowdown of the Italian economy of 9.0% in 2020, followed by a rebound of 8.3% in 2021, and 3.7% in 2022. According to the Bank of Italy, Italy's gross domestic product is expected to record a growth of 0.6% in 2024. Such growth is in line with the growth recorded in 2023, which was mainly due to a high inflationary environment and tightening of financial conditions.

As of the date of this Exchange Offer Memorandum, Italy is rated by Moody's, S&P and Fitch (collectively the "**Rating Agencies**") at Baa3, BBB, and BBB, respectively. All three ratings have been reconfirmed by the Rating Agencies in the past six months. Italian household expenditure on telecommunications services comprised 1.9% of total expenditures, while revenues on telecommunications services represented 1.4% of the GDP in 2022.

The Italian telecommunications market generated €26.9 billion (including wholesale) during the twelve months ended December 31, 2022, slightly decreasing by approximately 3.3% year over year, mostly as a result of declining prices. In particular, revenues generated by the Italian fixed market decreased by approximately 1.7%, to €15.2 billion.

The COVID-19 pandemic and the consequent measures put in place by the Italian Government to limit the social interactions resulted in a strong increase of data traffic per line. Hence, following the COVID-19 pandemic, the annual average daily unitary data traffic increased by approximately 48.7% and approximately 56.5% year on year in 2020 for the fixed and mobile networks respectively, and continued to grow both in 2021 and 2022. As a result, the average daily data traffic for 2022 was 25.6% and 69.6% higher compared to 2020 for the fixed and mobile networks, respectively. The growth was confirmed also in the first nine months of 2023, where average daily data traffic was higher if compared to the same period of 2022, with a growth of 13.3% and 22.3% for the fixed and mobile networks, respectively.

The Italian telecommunications market is rapidly evolving, mainly due to the deployment of broadband and ultrabroadband technologies, with the introduction and expansion of 5G mobile, FTTC, and FTTH fixed networks. The market has seen approximately €46 billion of investments in fixed and mobile assets between 2017 and 2022, approximately 4.9% of all investment activities in the Italian economy.

The digital modernization of Italy's communication infrastructure is accelerating due to the substantial investments provided under the NRRP, a plan approved by the European Commission in June 2021 in response to the COVID-19 pandemic with a focus on green and digital transition following the pandemic. Italy's recovery and resilience plan allocates 27% of NRRP funds to support such digital transition and sets out a series of initiatives with the aim of taking ultrabroadband connections throughout Italy by the end of 2026 and full 5G coverage of the populated areas set by the new European Digital Compass Strategy for 2030. Funds specifically allocated to network connectivity total to €6.7 billion and have been broadly allocated as follows: (i) "*Italia a 1 Giga"* plan: €3.86 billion,(ii) "*Italia 5G*" Plan: €2.02 billion, (iii) "*Sanità Connessa*" (Connected Health) plan: €0.50 billion, (iv) "*Scuola Connessa*" (Connected Schools) plan: €0.26 billion, and (v) "*Collagamento Isole Minori*" (Smaller Islands) plan: €0.06 billion.

In connection with the "*Italia a 1 Giga*" plan of €3.86 billion, a temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop was awarded 7 of the 15 lots provided under the plan, which was tendered out by Infratel, with a value of more than €1.6 billion in funding, as well as approximately €1 billion in direct investment from the TIM Group. The regions in which the awarded lots are located are Piedmont, Valle d'Aosta, Liguria, Abruzzo, Molise, Sardinia, Umbria, Marche, Calabria and Basilicata, as well as the autonomous Provinces of Trento and Bolzano.

It is expected that the stimulus impact on economic activity of the remaining NRRP funds will also boost the growth in the digital economy and related infrastructure. The growing availability of ultrabroadband connections is increasingly allowing operators to develop converged offerings combining telecommunication services with media and entertainment, IT and digital services.

Overview of the Italian Fixed Broadband market and competitive landscape

Generating revenue of approximately €15 billion (including wholesale), Italy is the fourth-largest fixed-line market in Europe (Source: AGCOM). While the Italian fixed telecommunications market continues to be marked by declining fixed voice revenues, broadband and ultrabroadband revenues continue to experience steady growth. There were 18.9 million broadband and ultra broadband subscribers as of September 30, 2023, which resulted in a broadband penetration of approximately 75% if compared to Italy's 25.3 million households according to data from ISTAT. Several telecommunications providers offer retail fixed-line access services to these subscribers. According to AGCOM, as of September 30, 2023, TIM, Fastweb, Tiscali, Vodafone, Wind3, Sky Wifi and others held approximately 38%, 14%, 4%, 17%, 14%, 3% and 10% market share in terms of broadband and ultrabroadband retail services, respectively. Furthermore, with other European countries such as France, Germany, Spain, and the United Kingdom achieving broadband penetration in terms of households of approximately 103%, 92%, 91%, 101%, respectively Italy's market is comparatively underpenetrated.

Furthermore, in the European telecommunications landscape, Italy stands out for its attractive and competitive wholesale FTTH access pricing. The average VULA FTTH access price in Italy is €14 per month per line, which is lower compared to other major European markets. For instance, in France, the average price as of March 30, 2021 was €15 for dense areas. Spain's NEBA services rates for consumers average at €17 in 2018, while Germany's pricing, which includes both up-front and recurring fees, was at €18 in March 30, 2021. The United Kingdom tops the list with an average price of €19, as of April 2024.

Due to the lack of cable infrastructure and difficult morphology, FTTC connections remain a resilient alternative in the Italian market (9.95 million lines or approximately 53% of the broadband and ultrabroadband market), with an average distance between cabinets and premises among the shortest in Europe, allowing high connection speeds. Similarly, the FTTH market in Italy (4.3 million lines or a 23% of the market) also remains underpenetrated, with penetration of 13% compared to an average of 35% across the European Union and the United Kingdom as of September 30, 2022 (Source: FTTH Council, April 2023). Over the last five years the proportion of active DSL lines has declined at a rapid pace, falling from 65.3% in 2017 to 13.5% of total fixed broadband lines subscriptions as of September 30, 2023. In parallel, higher-quality access technologies have increased considerably, with FTTC and

FTTH connections reaching 14.2 million with a 96.2% and 53.7% coverage, respectively, as of September 30, 2023, up from 4.7 million as of the end of 2017 (Source: AGCOM). Finally, FWA providers have entered the market in recent years; however, the FWA technology remains limited representing only approximately 2.1 million connections as of September 30, 2023, or approximately 11% of the total broadband lines in Italy. The ultra-fast broadband technologies are capable of achieving different speeds, with FTTC ranging from 30Mbps to 200Mbps, FTTH 10Gbps, and FWA 40 Mbps (4G) to 300Mbps (5G).

In recent years, telecommunication operators have mainly focused on developing broadband and ultrabroadband penetration and defending voice through the introduction of bundled voice, broadband and services packages, in a context of high competition with significant pressure on prices. This momentum has increased the proportion of lines with higher broadband speed within the total commercially available connections: the proportion of lines with speeds of more than 30 Mbps of total broadband and ultra-fast broadband lines rose from 45% in 2018 to 82.9% as of June 30, 2023. Data consumption over the same time period has increased at a rapid pace, the average daily data traffic increased from approximately 70 PBetabytes ("**PB**") in 2019 to over 148 PB in the first 9 months of 2023 with average daily traffic per broadband line increasing from approximately 4GB to over 8GB. The expansion of broadband continues to be driven not only by the evolution of enabling devices (smart TVs, smart speakers, connected devices, etc.), but also by the growing demand for speed and IP services (media and entertainment, IT, digital services). Growing consumption of data services by businesses is also expected to accelerate the adoption of fixed broadband, including growth in the utilization of cloud services, IOT urban, industrial and merchant services, as well as cybersecurity.

The wholesale Italian fixed broadband market currently consists of NetCo and Open Fiber S.p.A., as the main players. Out of the two service providers to the fragmented Italian fixed broadband market, NetCo is the leading wholesale provider with 15.5 million fixed lines as of December 31, 2023 and the only national provider of wholesale broadband services to the Italian market (including ADSL). NetCo has a national network covering over 99% of households and is the sole nationwide provider of FTTC network in Italy, with FTTx (i.e. FTTC or FTTH) covering approximately 95% of active lines, in each case as of December 31, 2023. On the other hand, it is estimated that Open Fiber covers in FTTH approximately 14.5 million households of which approximately 4.3 million are covered in FTTH in the so-called White Areas. The definition of "technical units" used by NetCo is different than similar metrics used by competitors, including Open Fiber, and, as a result, a direct comparison using such metrics is not possible.

NetCo and Open Fiber, as infrastructure operators of the fixed broadband infrastructure, mainly compete on the FTTH network given NetCo is the sole wholesale provider of FTTC services at scale in Italy.

As discussed above, NetCo is the exclusive wholesale operator of the FTTC network. With regards to the FTTH network, coverage and competition is segmented according to European Union guidelines, with an added level of granularity provided by the TIM Group's accounting of the impact of the "*Italia a 1 Giga"* plan (based on management's estimates), which, combined, reflect to the current level of competition:

- White Areas are areas without ultrabroadband (UBB) networks (connectivity), where private investors do not intend to invest in the next three years. Within these White Areas, low density areas (reaching approximately 4.3 million households) have been granted a concession by Infratel to Open Fiber for service provision. In contrast, in very low density areas (reaching approximately 0.5 million households), undertaking fiber roll-out investments is not considered economically efficient. This distinction is not recognized by the European Union guidelines.

- Grey Areas are areas in which an ultrabroadband network is present or will be developed in the next three years by a single private operator. Subsidies associated with the "Italia a 1 Giga" plan are allocated to only specific segments of these Grey Areas. This distinction is not recognized by the European Union guidelines. Given the lack of significant overlap between NetCo's and Open Fiber's fiber networks, NetCo and Open Fiber act as the sole providers in their respective subsidized areas.

- Black Areas are areas in which at least two ultrabroadband networks of different operators are present or will be developed over the next three years. In Italy's case, the Black Areas would be those areas of the market where both NetCo and Open Fiber are present and their respective fiber networks overlap.

TIM GROUP REGULATION

The TIM Group's operations are subject to EU, Italian and Brazilian electronic communications regulations, general competition law and a variety of other regulations, including privacy and security-related regulations. This section summarizes the key areas of such regulatory frameworks and considers the effect and implications of the Transactions.

The EU Electronic Communications Regulatory Framework

Overview

The EU electronic communications regulatory framework is the basis for the national electronic communications laws in all Member States in the EU ("**Member States**"), including Italy where the TIM Group operates. The Member States are required to transpose directives issued by the EU Council and Parliament into national legislation, while the regulations issued by the same EU institutions are binding for any Member State without the need for their transposition into national law. Additionally, EU recommendations suggest certain actions and good practices although they do not have any binding effect on the operators active in the different Member States. The EU electronic communications regulatory framework contains provisions on the execution of sectoral activities of national telecommunications providers and sets out general rules applicable to all providers of electronic communication networks and services, as well as specific regulatory obligations that may be imposed by the national regulatory authorities ("**NRAs**"). In all Member States NRAs are independent bodies that are tasked with regulating and supervising the electronic communications sector and ensuring compliance with the EU electronic communications regulatory framework in each Member State.

Directive (EU) 2018/1972) establishing the European Electronic Communication Code ("**EECC**") entered into force on December 20, 2018, and is applicable to TIM Group's operations since its implementation through Italian Legislative Decree of November 8, 2021, No. 207. Article 125 of the EECC expands the scope of the objectives and regulatory tools of the repealed EU Directives issued in 2002 and amended in 2009 (the so-called "**Telecom Package**"). The EECC includes a comprehensive set of measures related to: (i) wholesale-only operators and innovative regulatory models applicable for investments in VHCN, (ii) new rules on spectrum, such as minimum license duration to improve investment return, (iii) regulation of services, including the introduction of an improved level playing field between telecommunications operators and new operators of communications ecosystems such as the Over-the-Top ("**OTT**"), and (iv) a revised scope of Universal Service Obligation ("**USO**") for the benefit of users with low income or special social needs with a view to pursue adequate broadband internet access service as well as voice communications services at a fixed location.

On February 23, 2023, the European Commission put forward a legislative proposal for a new Regulation (the "**Gigabit Infrastructure Act**") on measures to reduce the cost of deploying gigabit electronic communications networks and repealing the previous EU Directive 2014/61/EU ("**Broadband Cost Reduction Directive**"), with the aim of setting new rules to enable faster, cheaper and more effective rollout of Gigabit networks, including 5G across the EU by promoting the reuse of existing physical infrastructures and streamlining the procedures for granting permits for civil works. Under the Gigabit Infrastructure Act Member States must ensure that network operators (telecoms, as well as energy, transport and water) give telecoms operators access to their physical infrastructure and network operators are required to give access to their physical infrastructure, on reasonable terms and conditions, including price. On February 6, 2024, the Council and the EU Parliament reached a provisional agreement on the proposed text.

Regulation (EU) 2018/1971 of the European Parliament and the Council entered into force on December 20, 2018 and it has repealed Regulation (EC) 1211/2009 and amended Regulation (EU) 2015/2120 ("**BEREC Regulation**"). The BEREC Regulation established the Body of European Regulators for Electronic Communications ("**BEREC**") and the Agency for Support for BEREC (the "**BEREC Office**"). BEREC acts as a forum for cooperation among each Member State's NRA and between the NRAs and the European Commission. In addition, BEREC Regulation has introduced maximum retail rates charged to consumers for regulated intra-EU communications in the amount of €0.19 per minute for calls and €0.06 per SMS message, with a five years application between May 15, 2019 and May 14, 2024 (Article 5*a* of Regulation 2015/2120, as introduced by Article 50 of the BEREC Regulation). The provisional agreement on the Gigabit Infrastructure Act is set to extend the validity of the abovementioned price caps until 2032 and envisages the end of surcharges on intra-EU communications from January 1, 2029, following an impact

assessment by the Commission and the definition of safeguards, such as sustainability, fair use and anti-fraud measures.

The European Commission Delegated Regulation (EU) 2021/654 supplementing the EECC ("**Delegated Regulation**") that was published in the Official Journal of the EU ("**OJEU**") on April 22, 2021, set the single maximum EU-wide wholesale mobile voice termination rate to €0.2 cent per minute from January 1, 2024 and the single maximum EU-wide wholesale fixed voice termination rate to €0.07 cent per minute from July 1, 2021.

The European Commission's Recommendation EU 2020/2245 of December 18, 2020 on relevant product and service markets susceptible to *ex ante* regulation, identifies those products and service markets in which *ex ante* regulation may be justified. In alignment with the objectives of the EU electronic communications regulatory framework to progressively reduce *ex ante* sector-specific rules as competition in the markets develops and, ultimately, to ensure that electronic communications markets are governed only by competition laws, the number of relevant markets in which imposition of *ex ante* regulation may be justified has been significantly reduced since the first Commission's Recommendation issued in 2003. By applying the three criteria test from Articles 67(1)(a), (b) and (c) of the EECC, the European Commission has identified (i) the wholesale local access provided at a fixed location market and (ii) the wholesale dedicated capacity market, as the product and service markets in which *ex ante* regulation may still be justified.

In September 2016, through its Connectivity for a Competitive–Digital Single Market–- Towards a European Gigabit Society Communication (COM/2016/587 final, the "**Gigabit Society Communication**"), the European Commission has set out a vision for connectivity in the EU over the following decade that includes growth of the high capacity networks, and has established specific strategic objectives to be achieved by 2025. Such objectives include, among others, uninterrupted 5G coverage for all urban areas and major terrestrial transport paths.

Additionally, in order to achieve a successful digital transformation of Europe by 2030, the European Commission has adopted the 2030 Digital Compass: the European way for the Digital Decade (COM/2021/118 final) ("**Digital Compass**") setting forth the initiative for a creation of a set of digital principles and a legislative proposal that would include a governance framework to monitor the progress of the envisioned digital transformation. The Digital Compass include the following aims:

- *Skills*: securing that at least 80% of all adults possess basic digital skills and that there are 20 million ICT specialists hired in the EU, with predominantly women taking up such jobs;

- *Infrastructur*e: putting in place a secure, functional and sustainable digital infrastructures that would include (i) gigabit connectivity for all EU households and 5G coverage for all populated areas, (ii) cutting-edge and sustainable semiconductors (including processors) with at least 20% of the world's production originating from Europe, (iii) a 10,000 climate-neutral highly secure edge nodes and (iv) the development of the first quantum computer in Europe by 2025;

- *Busines*s: (i) having three out of four companies using cloud computing services, big data and artificial intelligence, (ii) having more than 90% small and medium size businesses reaching at least a basic level of digital intensity, and (iii) doubling the number of EU unicorns; and

- *Governmen*t: digitalization of public services that would ensure an online availability of all key public services and e-medical records accessible to all citizens, with 80% of citizens using a digital ID solution.

The related Decision (EU) 2022/2481 establishing the Digital Decade Policy Programme (the "**Policy Programme**") was published in OJEU on December 19, 2022. The Policy Programme introduces a novel form of governance based on cooperation between the Member States and the European Commission to ensure that Member States pool their resources and ultimately jointly achieve the envisioned EU digital transformation.

Commission implementing Decision (EU) 2023/1353 of June 30, 2023 sets out key performance indicators to measure the progress towards the digital targets. On September 27, 2023, the Commission adopted the Communication C(2023) 7500 final establishing Union-level projected trajectories for the digital targets and published the first report on the State of the Digital Decade. On December 12, 2022, the European Commission adopted the revised Communication

on State aid for broadband networks (the "**Broadband State Aid Guidelines**"), used by the European Commission primarily when it assesses the allocation of state aid for the deployment of fixed and mobile broadband networks and the take-up of available broadband services to support the digital transition, also ensuring its minimal impact on the competition.

On February 23, 2023, the European Commission presented a set of actions aimed to make Gigabit connectivity available to all citizens and businesses across the EU by 2030, in line with the objectives of Europe's Digital Decade, and to enable the transformation of the connectivity sector in the EU. Beyond the aforementioned proposal for a Gigabit Infrastructure Act, this so called "Connectivity package" includes:

- A draft Recommendation, addressed to the Member States' NRAs, on the regulatory promotion of Gigabit connectivity ("**Gigabit Recommendation**"). The Commission Recommendation C(2024) 523 final was adopted on February 6, 2024, it provides guidance to NRAs on how to design access obligations on operators designated as having SMP on the market for wholesale local access provided at fixed location and promotes their consistent and effective implementation with regard to legacy networks and VHCNs. In particular, the Gigabit Recommendation sets out the conditions under which the national regulatory authority should, according to EECC, not impose or maintain regulated wholesale access prices on VHCN wholesale inputs. The Gigabit Recommendation also indicates how NRAs can smoothly conduct the migration from copper to fiber. It replaces the Commission Recommendation 2010/572/EU of September 20, 2010 on regulated access to Next Generation Access Networks ("**NGA**") and the Commission Recommendation 2013/466/EU of September 11, 2013 on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment.

- An exploratory consultation on the future of the connectivity sector and its infrastructure, to gather views on how increasing demands for connectivity and technological advances may affect the future developments and needs, including on the potential need for all players benefitting from the digital transformation to fairly contribute to the investments in connectivity infrastructure. Based on the outcome of the consultation, on February 21, 2024, the European Commission presented a set of possible actions to foster the innovation, security and resilience of digital infrastructures and opened a public consultation until June 30, 2024, aimed at achieving a consensus on:

    - The White Paper on "How to master Europe's digital infrastructure needs?," that analyses the challenges Europe currently faces in the rollout of future connectivity networks, and presents possible scenarios to attract investments, foster innovation, increase security, and achieve a true Digital Single Market.

    - The Recommendation on the security and resilience of submarine cable infrastructures, that presents a set of actions at national and EU level aimed at improving submarine cable security and resilience, through a better coordination across the EU, both in terms of governance and funding.

Some of the key areas of the EU telecommunication regulatory framework which will continue to apply to the TIM Group's operations following the successful completion of the Transactions are discussed in more detail below.

International Roaming

Regulation (EU) 2022/612 of the European Parliament and of the Council of April 6, 2022 on roaming on public mobile communications networks within the EU ("**Roaming Regulation**") provides a detailed set of rules concerning intra-EU roaming services and sets forth certain measures for the benefit of consumers that include: (i) an obligation for roaming providers to offer the same quality of service in roaming and at the national level where the same networks and technologies are available in the visited Member State, (ii) an improved access to free emergency services and (iii) a greater transparency on the costs of value-added services and roaming costs on non-terrestrial mobile networks, such as ships and planes. It also suggests a review of the price caps for intra-EU international fixed and mobile calls introduced by BEREC Regulation, by May 14, 2024.

Roaming Regulation further provides for the prolongation of the Roam Like at Home regime (RLAH) by abolishing roaming service surcharges on top of domestic tariffs until June 30, 2032, subject to "*fair use*" limits. For intra-EU

traffic exceeding the "*fair use*" limits, roaming providers are allowed to apply a surcharge on top of domestic tariffs, which shall in any case not exceed the maximum wholesale charges that the visited network operator may levy on the roaming provider for the provision of regulated roaming services through the visited network. In any case, the charges subject to the following caps for the period from 2022 to 2027:

		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 abovementioned maximum wholesale charges for regulated roaming calls and SMS messages applicable from January 1, 2025 shall remain valid until June 30, 2032 unless otherwise provided in the context of the review of the Roaming Regulation that the EU Commission shall evaluate.

Net Neutrality

Net neutrality is a principle providing that there should be no restriction on an individual's access to the networks making up the infrastructure of the internet and that any discrimination, restriction, or interference between the types and sources of data conveyed across such networks should be eliminated, irrespective of the sender and receiver, the content accessed or distributed, and the applications or services used or provided. Regulation (EU) 2015/2120 laying down measures concerning open internet access (the "**TSM Regulation**") provides new rules on net neutrality. In particular, TSM Regulation:

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

- allows the implementation by providers of internet access services of reasonable, transparent, non-discriminatory and proportionate traffic management measures aimed at improving quality of the network based on objectively different technical quality of service requirements for specific categories of traffic; such measures shall not be based on commercial considerations but on objectively different technical quality of service requirements of specific categories of traffic and shall not monitor the specific content and shall not be maintained for longer than necessary;

- allows operators to offer services, excluding internet access services, optimized for specific content, applications or services subject to the network capacity and unobstructed availability and quality of internet access services for end-users;

- allows end users to agree with providers of internet access services on tariffs for specific data volumes and speeds of the internet access services. Such commercial practices should not limit the exercise of end users' rights and are subject to monitoring by the NRAs. Additionally, contrary to BEREC's and NRA's previous indications, the European Court of Justice rulings in September 2021 established that zero rating infringes the Net Neutrality rules and is not allowed.

  Zero-rating (also called toll-free data or sponsored data) is the practice of mobile network operators ("**MNOs**"), MVNOs, and internet service providers 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 were 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.

- places further transparency obligations for ensuring open internet access on providers of internet access services in addition to those already included in the electronic communications regulatory framework.

Privacy and Data Protection

GDPR has been directly applicable in all EU Member States since May 25, 2018. The purpose of GDPR is to provide for the protection of the individual's right to privacy with respect to the processing of personal data, while allowing a certain degree of flexibility for service providers to process such personal data. As such, GDPR significantly changes the EU and EEA data protection landscape, including strengthening of individuals' rights, stricter requirements on companies processing personal data and stricter sanctions with substantial administrative fines for breaching GDPR of up to 4% of an annual turnover. The TIM Group has put in place a specific project to carry out all the activities needed to ensure its compliance with the rules introduced by GDPR.

Additionally, the TIM Group's operations are subject to the complimentary sectorial rules under the e-Privacy Directive implemented into Italian law on June 30, 2003, which imposes additional limitations on the data processing by the electronic communications services operators. Currently, this directive is being under review by the European Commission and the regulatory proposal foresees fines for non-compliance with the rules thereunder that are equal to those for breaches of GDPR. For further information, please see "*Risk Factors— Risks Related to the TIM Group's Legislative and Legal Framework—The TIM Group's activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code*."

Data Act

Following publication in the Official Journal on December 22, 2023, the Data Act, a European regulation that introduces harmonized rules on fair access to data and its use, entered into force on January 11, 2024 and will be directly applicable starting from September 12, 2025.

The Data Act covers several areas:

- Business to Business

The aim is to ensure fairness in the allocation of the value of data generated by connected devices among actors in the data economy. The Data Act provides for a shared right in the use of data between the manufacturer and the user of connected devices, allowing the latter to access–- without undue delay and free of charge–- the data generated by the device and to share such data with third parties to provide after-sales services or other innovative services based on them.

However, the Data Act provides that the circulation of data between companies may require the payment of a reasonable and non-discriminatory price which includes the cost of making it available and the investments made for the collection and production of such data.

The Data Act also recognizes that some data may represent trade secrets, the circulation of which would harm companies' interests and proprietary rights. The text of the Data Act has therefore introduced a series of provisions aimed at protecting such information.

- Business to Government

The Data Act also aims at enabling the access by public sector bodies to data held by the private sector in emergency situations, such as health emergencies or serious natural disasters, and in other exceptional cases, where it is not possible to find the data on the market and the lack of such data prevents the public entity from carrying out a specific task of public interest provided for by law. Data sharing in emergency situations must be carried out free of charge, while in the remaining exceptional cases private entities will be entitled to reasonable compensation.

- Cloud Services

The Data Act introduces interoperability requirements for data processing services – such as cloud or edge computing services – aimed at preventing vendor lock-in phenomena and at facilitating the possibility for users to switch to a new supplier.

Furthermore, the Data Act offers specific safeguards to prevent unlawful transfers of non-personal data held by cloud service providers to third countries in contrast with data protection obligations under EU or Member States' law.

Security

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

NIS2 envisages 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 EECC) and on the other hand extending the rules to new subjects (e.g., data centers, CDNs, etc.).

While NIS2 confirms the obligation to adopt security measures that are proportionate to the risk, it introduces a series of minimum requirements, including with regard to supply chain security management, and it revises the mandatory notification procedure for cyber incidents.

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

The Italian Regulatory Framework

Overview

The electronic communications regulatory framework applicable to the TIM Group's operations in Italy, is based primarily on the Electronic Communications Code, i.e. Legislative Decree No. 259/2003, as amended by Legislative Decree No. 207 ("**ECC**") that entered into force on December 24, 2021. By implementing this latest amendment, Italy has transposed the EECC into Italian national law.

Another law affecting the TIM Group's business, related to consumer, data and security protection and specific aspects of the communication sector is the Decree Law No. 76/2020, converted by Italian Law No. 120/2020, and Decree Law No. 77/2021, converted by Law no. 108/2021 (also known as "*Decreti Semplificazioni*"). Especially the latter piece of law contains important simplification measures to speed up the completion of both 5G and the ultrabroadband fiber optic networks in Italy. Furthermore, Decree-Law no. 36/2022 (also known as NRRP 2 Decree), converted by Law no. 29 of June 2022, which introduces measures in the ECC, namely simplified authorization measures for mobile network development, and Decree-Law no. 13/2023 (also known as NRRP 3 Decree) converted by Law No. 41/2023, which introduces other important simplification measures in the authorization process, with the aim of fostering the development of fixed and mobile ultrabroadband.

The telecommunications sector in Italy is primarily supervised by AGCOM, Italy's NRA for the communications sector. The key powers and duties of AGCOM consist of ensuring fair market competition and protecting fundamental rights of all users of electronic communication networks and services and, more generally, all citizens, also extending to different functions related to the communications sector. Additional powers related to the electronic communications sector were granted to AGCOM by the Italian Decree Law No. 119/2018 dated December 18, 2018, that also amended the ECC with a view to foster investment in ultra broadband networks. Such AGCOM's powers include defining adequate measures of investment remuneration to integrate the merger of different access networks placed under the control of a non-vertically integrated subject offering only wholesale network services. Governmental responsibility for electronic communication networks and services in Italy lies with the Ministry of the Enterprises and Made in Italy, having a principal responsibility related to the national broadband plan, spectrum and numbering management as well as integrity and security of the networks.

On May 12, 2023, the Ministry of Enterprises and Made in Italy launched a public consultation on the draft Legislative Decree amending the Electronic Communications Code. The consultation was primarily aimed at providers of electronic communications networks and services. Its purpose was to gather market input and comments on the implementation of the new sector legislation one year after the entry into force of the ECC, in line with the objectives

of Directive (EU) 2018/1972 set out in the Digital Single Market Strategy for Europe. The consultation was closed on June 15, 2023.

Following the market consultation, the Council of Ministers approved a Legislative Decree on December 18, 2023, as part of a preliminary examination, which provides for corrections to Legislative Decree No. 207 of November 8, 2021. The text, which was sent to Parliament on December 22, 2023 for the necessary opinion, and which will be returned to the Council of Ministers for final approval, updates the current provisions, adapting them to technological developments in the field of electronic communication services (5G connection) with particular regard to the innovation and implementation of digital infrastructures (repeaters for 5G connections; fiber optic cables) supported by the NRRP. In addition, the revision makes corrections to procedural provisions in order to simplify and shorten bureaucratic procedures.

Market Analysis

The Italian regulatory framework requires AGCOM, in its role as Italian NRA, to carry out periodic market analyses according to the specific EU guidelines before imposing any obligations on any individual operator with an SMP. Such market analysis sets the rules for a period of up to five years. In such context, AGCOM may impose *ex ante* obligations on an operator with SMP when a specific market is found to have three characteristics: (i) high and non-transitory structural, legal or regulatory barriers to entry; (ii) a market structure which does not tend towards effective competition within the relevant time horizon, having regard to the state of infrastructure-based competition and other sources of competition behind the barriers to entry; and (iii) competition law alone is insufficient to adequately address the identified market failures.

In both cases, pursuant to Article 79 of the ECC, AGCOM must impose, based on proportionality principle, one or more of the following obligations on an operator with SMP:

(a) the obligation to make public specific information, such as that relating to accounting, prices, technical specifications, network characteristics, or terms and conditions (*transparency obligation*);

(b) the obligation to ensure equivalent conditions in equivalent circumstances to other providers of equivalent services, as well as same conditions and quality as provided for its own services (*non-discrimination obligation*). Such obligation may include the so-called replicability test (*i.e.* the obligation, for a vertically integrated operator, to set prices in the retail market that can be replicated by an efficient operator);

(c) the obligation to keep separate accounts in relation to specified activities related to interconnection or access (*accounting separation obligation*);

(d) the obligation to meet reasonable requests by competitors for access to civil engineering as well as access to, and use of, specific network elements and associated facilities at fair terms (*access obligation*);

(e) the obligation to apply cost-oriented prices and cost accounting (*cost-orientation obligation*).

Delayering of vertically integrated operators

Pursuant to Article 89 of the ECC, an operator with SMP shall inform AGCOM at least 90 days ahead of any intended transfer of their network assets to a separate legal entity under different ownership, or the establishment of a separate business entity to provide all retail providers with fully equivalent access products (*separazione volontaria da parte di un'impresa verticalmente integrata*). In such event, AGCOM shall conduct a specific market analysis to assess the effect of such delayering project on the relevant markets and therefore impose, maintain, amend, or withdraw *ex ante* obligations.

In November 2020, AGCOM concluded the preliminary assessment of TIM's voluntary separation project for the creation of FiberCop, a newco, controlled by the TIM Group and owned through minority shareholdings also by KKR Infrastructure Fund and Fastweb, which, on March 31, 2021, acquired the secondary copper and fiber access network owned by the TIM Group and Flash Fiber (the joint venture entity created together with Fastweb back in 2016 and merged into FiberCop in the context of the abovementioned transaction completed on March 31, 2021).

With Resolution No 637/20/CONS, published in December 2020, AGCOM launched the public consultation on the voluntary separation project of the TIM Group's fixed access network, whose outcomes were published in October 2021 with Resolution No. 253/21/CONS. However, on July 7, 2022, the TIM Group communicated to AGCOM that the delayering plan envisaged as part of the Transactions would supersede the original voluntary separation project to which the public consultation referred.

On January 19, 2024, TIM notified AGCOM of its intention to proceed with a delayering project pursuant to Article 89 of the ECC (*i.e.* the Transactions). The successful overcoming of vertical integration is expected to lead to a withdrawal of the replicability test obligation applying to the TIM Group's retail offers. See also "*Risk Factors—Risk related to the business activity and industries of the TIM Group—the TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business*," and "*Risk Factors—Risk Related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*."

The following sections summarize the key areas of the Italian wholesale and retail markets that have been scrutinized by AGCOM to assess competition conditions, along with the recent developments concerning the electronic communications market, as well as the main obligations imposed by AGCOM on the TIM Group with the latest Market Analyses.

Wholesale Fixed Access Markets

AGCOM's Resolution 348/19/CONS published on August 8, 2019 sets the obligations and economic conditions for wholesale access services for the period from 2018 to 2021. With reference to the most important geographic issues under the market analysis, AGCOM has taken the following major decisions:

- confirmation of TIM's status as an SMP operator in the wholesale local access provided at a fixed location market ("**Market 3a**"), and wholesale central access provided at a fixed location for mass-market products market ("**Market 3b**") in Italy with the exclusion of the city of Milan, where the *ex ante* regulation has been entirely withdrawn;
- confirmation, as a consequence, of the following obligations on TIM in both Market 3a and Market 3b:
    - the obligation to provide access to and use of certain of TIM's network elements;
    - transparency obligations in relation to wholesale access services to copper and fiber network;
    - non-discrimination obligations, both in relation to the obligation to ensure equivalent conditions in equivalent circumstances to other providers of equivalent services, as well as same conditions (including price) and quality (including technology) as provided for its own services (AGCOM confirmed the equivalence model provided for in Resolution 652/16/CONS) and also in relation to the replicability test. See *"—Retail Markets—Retail Offers*";
    - accounting separation obligations; and
    - cost-orientation obligations.

With Resolution No 637/20/CONS, published in December 2020, AGCOM started a new coordinated analysis of the markets for fixed network access services pursuant to Article 50-ter of the ECC (now Article 89). The new market analysis procedure, which is still ongoing after having been extended by AGCOM's Resolutions nos. 412/21/CONS of December 21, 2021, and 152/23/CONS of June 21, 2023, will update the regulatory framework for the markets for wholesale fixed network access services based on changed competitive conditions and new European regulatory framework. In this regard, with Resolution 152/23/CONS, AGCOM called a public consultation concerning a scheme

for a new market analysis aimed at regulating the period 2024-2028. The said scheme envisages the following major proposals:

- confirmation of the TIM's status as an SMP operator in Market 1 (wholesale local access provided at a fixed location market in Italy) with the exclusion of the cities of Milan and Cagliari, where the *ex ante* regulation has been entirely withdrawn;
- confirmation of the obligations imposed on TIM in the Market 1 with Resolution 348/19/CONS, with the following amendments: (i) removal of the obligation to provide WLR services and DSLAM access; (ii) application of the disaggregation model already used on copper services to certain new fiber services (VULA FTTH and semi-GPON); (iii) extension of the full equivalence regime to the obligation to provide access to civil engineering; (iv); (iv) new fiber access obligations such as semi-GPON and full GPON access; (v) extension of the ex ante replicability test to flagship offers; and (vi) withdrawal of the cost-orientation obligation for VULA (FTTC and FTTH), semi-VULA, full-GPON and semi-GPON in 59 municipalities considered "*contestable*," where prices will be subject to fairness and reasonableness principles; and
- withdrawal of *ex ante* regulation in Market 3b (wholesale central access provided at a fixed location for mass-market products market).

However, since, at the time the said scheme was published, the Transactions had not yet been notified to AGCOM in their details, such scheme does not take into account the envisaged effects of the successful completion of the Transactions. See "*Risk Factors—Risks Related to the TIM Group—Risks related to the business activity and industries of the TIM Group—the TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business*," and "*Risk Factors—Risks Related to the TIM Group—Risks related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*."

Wholesale call termination on individual public telephone networks provided at a fixed location

On February 2, 2022, AGCOM published Resolution 13/22/CONS withdrawing regulatory obligations previously imposed to voice call origination on a fixed network (including the third billing obligation) applicable after a transitional period of 24 months and simplifying the regulation of voice fixed termination. Further, AGCOM's Resolution include the following:

- confirmation of TIM and 25 other operators' status of SMP operators with regard to the voice fixed termination market;
- confirmation of the 2019 termination price of €0.041 per minute until June 30, 2021;
- entry into force of the single maximum EU-wide wholesale rate of €0.07 per minute on July 1, 2021;
- cost orientation under a symmetrical regime for the prices of the services that are ancillary and additional to the termination service;
- withdrawal of cost accounting and accounting separation obligations imposed to TIM, as well as of half-yearly reporting obligations, for termination services without any transitional period; and
- reduction (from 12 months to 6 months) of the notice period required for all SMP operators for communicating the intention of decommissioning of one or more Time Division Multiples ("**TDM**") 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 January 22, 2019, AGCOM published the Resolution 599/18/CONS as a part of the fifth round of the mobile termination market analysis, in which AGCOM decided to:

- identify twelve operators who provide or were about to provide mobile voice call termination services (MNOs, and Full Mobile Virtual Network Operators) as SMP operators;
- confirm the implementation of the cost model detailed in its Resolution 60/11/CONS to set termination rates for the period from 2018 to 2021 and set symmetric tariffs per minute for the mobile termination services amounting provided by all SMP operators (€0.98 in 2018, €0.90 in 2019, €0.76 in 2020, and €0.67 from 2021) on the basis of a Weighted Average Cost of Capital ("**WACC**") equal to 8.55%;
- enforce the price control obligations 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 that for calls originating by operators that are extra EU/EEA, all SMP operators are not allowed to apply higher termination rates than those applied to Italian operators by such extra EU/EEA operators whose tariffs are regulated by the relevant authorities.

As mentioned above (see "*—The EU Electronic Communications Regulatory Framework—Overview*") the European Commission Delegated Regulation (EU) 2021/654 set the single maximum EU-wide wholesale mobile voice termination rate to €0.2 cent per minute. Such single maximum mobile termination rates are fully applicable from January 1, 2024.

Retail Markets

Retail Offers

The TIM Group's retail offers, in application of the non-discrimination and price-control obligations imposed to date as a result of AGCOM's Market Analyses relating to the Wholesale Fixed Access Market, shall be replicable by efficient third-party retail operators, and are therefore subject to *ex ante* replicability tests carried out by AGCOM upon communication, by the TIM Group, of a new offer 20 days ahead of distribution.

With Resolution 348/19/CONS, AGCOM removed the *ex ante* replicability test for some of the TIM Group's ultrabroadband retail offers. In particular, all FTTH or FTTC retail offers (including bundles) that are considered "*flagship*," with speeds equal to o– higher than 100 Mbps–- which are very relevant in the migration phase from –opper to NGA networks–- will be notified to AGCOM simultaneously with their launch and will be subject to the supervision of AGCOM on an *ex post* basis through the replicability test.

Also 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 offer already approved will be notified to AGCOM concurrently with their launch and AGCOM will eventually assess their replicability, if necessary, *ex officio* or at the request of an operator.

In the scheme for a new Market Analysis relating to the Wholesale Fixed Access Market published by AGCOM on June 21, 2023, AGCOM, having considered the development of ultrabroadband offers and the diffusion of so-called "Best Technology Available" ("**BTA**") offers, proposed to re-apply replicability test obligations to the TIM Group's "*flagship*" offers, as described above, and to maintain all other replicability obligations on the TIM Group's retail offers. Pursuant to such proposal, TIM's retail offers, potentially including "*flagship*" offers, will continue to be sent to AGCOM in advance (20 days before their launch), in order to allow an *ex ante* application of the replicability test by AGCOM, with the exception of renewal of offers, modifications of already existing offers which do not imply a change of margins, and optional conditional sales associated to an offer already approved.

However, since, at the time the said scheme was published, the Transactions had not yet been notified to AGCOM in their details, such scheme does not take into account the envisaged effects of the successful completion of the Transactions. See also "*—Wholesale Fixed Access Markets*," "*Risk Factors—Risk related to the business activity and industries of the TIM Group—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business*," and "*Risk Factors—Risks Related to the TIM Group—Risks related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*."

In the fourth quarter of 2022 TIM launched the 10/2 Gbit/s FTTH retail offer in both consumer and business markets.

28-Day Billing

AGCOM Resolution 121/17/CONS introduced instructions on billing intervals for telephony, prescribing, monthly intervals for fixed telephony, or multiples thereof, and four-week intervals for mobile telephony. In its Resolution 269/18/CONS, AGCOM had set December 31, 2018 as the date by which the operators had to return a number of days of service equal to the eroded days to their fixed network customers that were affected by the previous 28-day billing, or propose to such customers any alternative compensatory measures. In June 2019, TIM had decided to offer to the affected fixed network customers that were active prior to March 31, 2018, a possibility of accepting a compensatory solution and subsequently, from September 2019, TIM accepted customers' requests for the refund for the eroded days. In both cases, TIM had informed its customers of these options by ways of the notification on the bill, on the web and in the main newspapers.

Guidelines for Online Termination and Switching Costs and further developments on the sector regulation on users' protection

On November 2, 2018, AGCOM published Resolution 487/18/CONS setting the new guidelines on the charges applicable by operators in the event of customers' withdrawal.

Italian Law No. 40/2007 ("**Bersani Law**") allows customers to withdraw from the permanent contract at any time, *provided* that the costs they can be required to pay for the line termination or line switching shall be real and economically justified (for example, a deactivation costs for the fixed line).

The Bersani Law was subsequently amended by the Italian annual competition law no. 124/2017 and further implemented through the guidelines issued with AGCOM's Resolution 487/18/CONS. Such Resolution has introduced the following limits on the cost recovery that operators can apply in case of specific types of withdrawals and terminations:

- in case of withdrawal or line switching, the cost to be paid by the costumer should be lower of the average rental fee (contract value) and the actual deactivation cost paid by the operators;
- in case of early termination in the midst of the duration of a promotion, operators may charge only a share of the discounts proportionate to the residual duration of the promotion at the moment of the withdrawal; and
- in case of products with instalments offered in conjunction with the electronic communication service, customers can, at their option, pay the remaining instalments instead of reimbursement with a single payment.

TIM challenged the resolution regarding the provisions that limit the right to fully recover the costs in case of withdrawals with respect to the contracts that include discounts from promotions and product instalments. The administrative judge dismissed TIM's appeal, as the guidelines would not be directly damaging. TIM once again appealed against Resolution 487/18/CONS together with Resolution 591/20/CONS that ordered TIM to pay an administrative fine for the rules on cost recovery for withdrawals and terminations. In March 2022, the Administrative Tribunal for the Lazio Region (*Tribunale Amministrativo Regionale del Lazio*) ("**TAR**") rejected the appeal. TIM

appealed this decision and the proceeding is currently pending before the second instance administrative Court (Council of State).

The ECC as resulting from the transposition in Italy of the EECC, has provided a new set of rules on protection of users of electronic communications services. Following a public consultation procedure, AGCOM, by means of its Resolution No. 307/23/CONS, approved a new comprehensive regulation defining the concrete implementation of such new rules in the context of retail contracts (the "**Retail Customers Protection Regulation**"). Pursuant to the Retail Customers Protection Regulation, among others:

- retail operators shall amend their terms and conditions to include clear, accessible, and detailed information on, among others, minimum service levels and redress rights in case of underperformance, plan details, costs and terms of use of terminal equipment, offer activation and recurring costs, switching/withdrawal costs and procedures, and information as to services offered to people with disabilities and as to dispute resolution mechanisms;
- contracts cannot provide for an initial client commitment of more than 24 months (after which, a client can withdraw without additional costs) and, in case of prior withdrawal, no penalty can be applied to clients other than the payment of outstanding costs;
- clients can withdraw without additional costs within 60 days since the communication of changes to the terms and conditions (including pursuant to indexation mechanisms not purely based on Consumer Prices Indexes), as well as in case of material and continued or frequent underperformance; and
- contracts shall include clear, detailed, and accessible information as to any price indexation mechanism based on Consumer Prices Indexes, and no such price indexation mechanism shall be added to an existing contract if not with the client's prior explicit and written consent.

Indexation of Retail Offers

On January 3, 2024 AGCOM published Resolution no. 307/23/CONS on the protection of end users regarding contracts for the supply of electronic communications services, repealing Resolution no. 519/15/CONS. The provisions included therein apply to contracts between operators and consumers as well as, where expressly stated, to micro-enterprises, small businesses and non-profit organizations.

The new Resolution regulates the pre-contractual and contractual phases, as well as the termination of the contract and applies to all contracts regardless of their stipulation date, with the exception of the provision relating to termination costs in the event of withdrawal, which applies only to contracts stipulated after the January 3, 2024.

The provisions relating to developments and interventions on the systems are implemented within 6 months from the entry into force of the Resolution.

Finally, the Resolution also regulates the annual adjustment of prices based on the consumer price index. In this regard, TIM is evaluating to challenge such provisions as they are deemed to be excessively stringent and, in some respects, also illegitimate.

The Universal Service

In the past, under the previous version of the Italian Communication Code ("CC"), TIM was the only operator designated to provide the US. However, pursuant to the new Italian CC, AGCOM, in order to designate one or more companies as suppliers of the US, must first identify minimum bandwidth for an adequate broadband internet access service (Article 94, paragraph 3 of the Italian CC) and subsequently must verify that the availability and the economic accessibility at a fixed location of such service along with voice service cannot be guaranteed throughout the national territory under normal commercial conditions and through other potential instruments of public policies (Article 95 and Article 96 of the Italian CC). In this regard, by its Decision No. 309/23/CONS of December 5, 2023, AGCOM identified broadband internet access with a download speed of 20 Mbps as the broadband internet access service to be provided as part of the US, and clarified that, pending further AGCOM's determinations, TIM cannot be considered

to be automatically bound to provide such US broadband internet access services. However, pursuant to Article 95 of the Italian CC, in case AGCOM determines that the retail prices of US services are not accessible to low-income or special-need consumers, it may impose obligations to provide US services at accessible prices generally applicable to all retail providers, and, if US services are not available, AGCOM can designate one or more providers to guarantee such availability throughout the national territory (Article 96 of the Italian CC).

The Universal Service Fund ("**USF**") was established as a fund collecting and holding mandatory contributions paid by the major Italian communications companies in order to finance the net costs for US provided by the designated US operator, TIM.

AGCOM is responsible for verifying the net cost of the US provision and assessing whether this amount represents an unfair burden for the designated operator. If such burden is determined to be unfair, the designated operator may be entitled to an adequate compensation through the USF.

AGCOM assessed the net cost and authorized the funding mechanism until 2005, but did not recognize any net cost contribution for 2006 and 2007. The net cost for the provision of US for the period from 2004 to 2007 was subsequently calculated on the basis of a methodology established by AGCOM's Resolution 1/08/CIR in 2008 with a retroactive effect, that led to a significant decrease in the amount to be financed. The Council of State had overruled AGCOM's resolution. In response to such decision, AGCOM issued Resolutions 207/17/CONS and 145/17/CONS initiating proceedings for the review of the calculation of US net costs for 2004 and 2005, and 2006 and 2007, respectively. Additionally, by its Resolution 103/19/CIR issued on September 11, 2019, AGCOM has recognized a supplementary US net cost charged to the other operators for the period from 2004 to 2007, to be equal to €26.7 million. Finally, by its Resolution 88/18/CIR, published on June 21, 2018, AGCOM has determined that the net cost for 2008 equals zero and the net cost for 2009 amounts to €11.61 million and it is to be shared by the fixed and mobile operators.

On July 7, 2015, the Council of State delivered a decision rejecting TIM's appeal filed against TAR's decision related to AGCOM's Resolution issued in 2011 in connection with the proceedings for the review of the calculation of US net costs from 1999 to 2003 (excluding 2001). The subsequent decision of the Supreme Civil Court issued on December 27, 2017, rejected the following appeal filed by TIM and confirmed the need for a renewal of the proceeding to calculate the US net costs for the period above. AGCOM began the renewal proceedings for these years and periods by its Resolution 102/19/CIR on September 11, 2019. Such proceeding has been dismissed through Resolution No. 190/19/CIR following the decision of the Council of State dated October 8, 2019, that confirmed the possibility for AGCOM to renew the proceeding but provided a new guidance on the principles to be followed in doing so.

Following the Council of State's decision, Vodafone had requested a refund from TIM of the amounts paid for 1999, 2000, 2002, 2003 and subsequent periods. Through the abovementioned decision published in October 2019, the Council of State has also accepted the appeal of Vodafone, requiring TIM to return the disputed sums.

In September 2020, AGCOM ended the public consultation related to the review of the unfairness of US net cost charges for the period from 1999 to 2009. In resolution 263/20/CIR, AGCOM defined a new approach to demonstrate unfairness of US net cost charges and, on the basis of such new approach, AGCOM recognized the unfairness of the charges for the period from 2002 to 2009, while AGCOM did not find the net cost charges for 1999 and 2000, to be unfair.

On March 29, 2021, in its Resolution 18/21/CIR, AGCOM confirmed the obligation for mobile operators to participate in US contribution mechanism for the period from 2001 to 2009. However, AGCOM's Resolution 18/21/CIR was challenged by the other authorized operators ("**OAOs**"). Vodafone and Wind requested the suspension of the payment of the contributions to the USF until the conclusion of the proceeding, and the Ministry informed the fixed and mobile OAOs not to proceed with the payment of contributions of the years in question.

On February 17, 2022, the TAR annulled AGCOM's Resolution 18/21/CIR by accepting one of the grounds of appeal advanced by the OAOs focused on the threshold parameter relating to the unfairness of the burden that was contested with regard to the economic and financial impacts on the OAOs in question. The further OAOs appeal grounds were instead rejected by the TAR.

In the context of the second instance proceeding, the Council of State, with two decisions dated April 18, 2023 and May 2, 2023 (respectively, orders No. 3885/2023 and No. 4356/2023), decided to request a preliminary ruling by the European Court of Justice on the conditions to be met for AGCOM to impose USF obligation to the OAOs. The rulings of the EU Court of Justice are expected to be issued in 2025.

On September 14, 2021, AGCOM published Resolution 92/21/CIR with the final aim to assess the possible unfair nature of the US net costs for years 2010-2013. However, on June 27, 2022, AGCOM issued Resolution 1/22/CIR suspending the deadlines of the proceeding originally established by Resolution 92/21/CIR and then extended by Resolutions 58/22/CONS and 143/22/CONS in light of the impacts that could result from the abovementioned judicial proceeding against Resolution 18/21/CIR pending before the Council of State.

In relation to the US quality targets, the Council of State, on April 21, 2022 issued a decision annulling the sanction originally imposed on TIM by AGCOM's Resolution 28/11/CONS in the amount of €174,000 for failing to meet the missing quality targets for 2009.

The Council of State upheld TIM's appeal that challenged the sanction due to the failure to transpose the commitments proposal presented by TIM during the sanctioning procedure.

Finally, by Resolution 98/23/CONS, AGCOM has withdrawn the obligation to ensure the availability of public payphone service in the US framework.

Regulatory levies

Contribution Fees for the Functioning of AGCOM and for maintaining the authorizations as provider of electronic communications networks and services, together with numbering resources and spectrum rights of use

The TIM Group and the other electronic communications operators in the Italian market are required to pay annual contribution fees to cover AGCOM's costs for its regulatory activities. The contribution fees are determined in accordance with the AGCOM's specific resolutions issued yearly by AGCOM and are calculated on the basis of each operator's revenues.

Contribution fees for the electronic communications sector were determined by AGCOM as equal to 1.3 per thousand of each operator's revenues for 2022, and equal to 1.4 per thousand of each operator's revenues for both of 2023 and 2024, while contributions fees for the "media" sector were determined as equal to 1.9 per thousand of each operator's revenues for 2022, and equal to 2 per thousand of each operator's revenues for both of 2023 and 2024, and contributions fees for AGCOM's anti-piracy activities were determined as equal to 0.1 per thousand of each operator's revenues for 2023 and equal to 0.3 per thousand of each operator's revenues for 2024. On the basis of such resolutions, TIM paid, under reserve, approximately €15.7 million for 2022 and approximately €16.1 million for 2023.

In addition, the TIM Group is required to pay additional annual levies to the Ministry for the Enterprises and the Made in Italy for maintaining its authorizations as provider of electronic communications networks and services, together with numbering resources and spectrum rights of use (see below "*—The Italian Regulatory Framework—Spectrum*").

Government's UBB Network State Aid Plans

In June 2016, the European Commission authorized the Italian government's ultra broadband ("**UBB**") State Aid Plan ("**UBB State Aid Plan**") in an amount of €4 billion. The purpose of UBB is to foster expansion of NGA, a new or upgraded access networks, that compared to the existing services will allow for the substantial improvements in broadband speeds and quality of service for 25% of the Italian population living in about 7,200 municipalities across Italy belonging to UBB "*white areas*" (i.e. the areas where NGA is currently not available and there is no interest of private operators to deploy it in the near future). According to UBB State Aid Plan, these 7,200 municipalities are grouped into two clusters, cluster C and cluster D. According to UBB State Aid Plan, 70% of the connections in cluster C will be provided with at least a speed of 100 Mbit/s for downloading and 50 Mbit/s for uploading services, while the remaining 30% should be able to reach at least a speed of 30 Mbit/s for downloading and 15 Mbit/s for uploading services. Connections falling under cluster D should be able to download at a speed of at least 30 Mbit/s for and upload at a speed of at least 15 Mbit/s.

On June 3, 2016, Infratel published an invitation for a tender procedure of €1.4 billion for a 20-years concession for deploying and managing an UBB "*passive*" infrastructure, composed by ducts and dark fiber, in the White Areas in Abruzzo, Molise, Emilia Romagna, Lombardia, Tuscany and Veneto regions. On March 7, 2017, the tender was awarded to Open Fiber.

On August 8, 2016, Infratel published another invitation for a second tender regarding the ultrabroadband white areas that include ten additional Italian regions (Piemonte, Valle d'Aosta, Friuli Venezia Giulia, Liguria, Marche, Umbria, Lazio, Campania, Basilicata, Sicily and Trento Autonomous Province), for a total public financing of approximately €1.25 billion. TIM did not submit any bids. On July 28, 2017, the second tender was awarded to Open Fiber.

The Italian Strategy for Ultra Broadband "*Towards the Gigabit Society*" (the "**Strategy**"), approved on May 25, 2021 by the Interministerial Committee for the Digital Transition ("**ICDT**"), defined the actions necessary to achieve the digital transformation objectives set by the European Commission in its Gigabit Society Communication and Digital Compass. See "*—The EU Electronic Communications Regulatory Framework—Overview*."

The NRRP approved by the Italian government on April 29, 2021, allocates 27% of the resources to the digital transition, of which €6.7 billion are intended for strategic projects related to the ultrabroadband services, in line with the Government's strategy launched in 2015. In addition to the objective to complete the coverage plan for UBB white areas and create measures to support demand, the Strategy mentioned in the previous paragraph is composed by 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, insufficient, or the improvement is not imminently expected. The €6.7 billion funds have been allocated by NRRP's for the following plans:

- *"Italia a 1 Giga" Plan;*
- *"Italia 5G" Plan;*
- *"Connected Health" Plan;*
- *"Connected School" Plan;* and
- *"Smaller Islands" Plan*.

Through these measures and plans, the Italian government intends to bring forward by 2026 the 1 Gbit/s connectivity objectives for all Italian citizens across the national territory and full 5G coverage in the populated areas set by the Digital Compass for 2030.

Pursuant to the provisions of the abovementioned agreements with Infratel, the transfer of TIM's business as a going concern envisaged as part of the successful completion of the Transactions, including the envisaged take-over of NetCo in TIM's position in the Broadband and Ultrabroadband Tenders ("**BB/UBB**"), the "Italy at 1 Giga" Plan, and the "Italia 5G" Plan's fiber Backhauling Tender, is subject, for the purposes of such agreements, to the obtainment of the consent of Infratel.

"Italia a 1 Giga" Plan

The "*Italia a 1 Giga*" is a €3.86 billion plan that would guarantee a fixed coverage of 1 Giga in download and at least 200 Mbit/s in upload speed in the grey and black areas where, until 2026, the plans of private operators could not guarantee "*reliable*" download connections of at least 100 Mbit/s.

On January 15, 2022, Infratel published the "*Italia a 1 Giga*" invitation for a tender procedure granting public funds for the financing of investment projects aimed at the construction of new electronic communications infrastructures and related access equipment capable of providing services with at least 1 Gbit/s in download and 200 Mbit/s in upload speed, with a deadline of March 31, 2022. The tender included 15 lots covering around 6.9 million citizens and the funding foreseen in the tender amounted to €3.68 billion. Each competitor was able to win up to eight lots. 70% of the expenses incurred will be paid from the public contribution, while remaining share of no less than 30% will be paid by the beneficiary of the public funds. The results of the tenders were published on May 24, 2022 and are as follows:

- a temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop won the tenders relating to: Sardinia (lot 1), Abruzzo, Molise, Marche and Umbria (lot 3), Piemonte, Liguria and Val d'Aosta (lot 4), South Calabria (lot 5), North Calabria (lot 11) and Basilicata (lot 14) for approximately up to €1.6 billion; and

- Open Fiber 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 Lombardia (lot 13) for approximately €1.8 billion.

The tender relating to Trento and Bolzano (lot 15) was resubmitted in April 2022 with a deadline of June 3, 2022 and was awarded to a temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop on June 28, 2022 for approximately up to €65 million. On July 29, 2022, the relevant agreements were signed between Infratel and the operators that had been awarded the individual lots.

"Italia 5G" Plan

The "*Italy 5G*" is a €2.02 billion plan, that provides for 5G coverage with 150 Mbit/s download speed and at least 50 Mbit/s upload speed in the following areas:

- European 5G corridors: these corridors cover 2,645 km and the funds allocated under the plan amount to €420 million;

- extra-urban roads ready for 5G: these roads are extended on an area of approximately 10,000 km, with the plan funds of €600 million; and

- no 5G/4G areas: the funds allocated to this project amount to €1 billion.

To identify the areas to be financed, Infratel has mapped the 4G and 5G mobile coverage plans of private operators for the period from 2021 to 2026, including the sites' fiber backhauling connections. As a result of the mapping, the following were identified as subjects to the public intervention:

- 13,200 mobile radio sites, that include approximately 18,600 Radio Base Stations ("**SRBs**"), for the implementation of fiber backhauling; and

- 15% of the national territory primarily consisting of crucial land transport routes, such as roads and railways, for the implementation of 5G.

The results were subject to a public consultation opened until December 15, 2021. Following the results of the public consultation, to encourage the creation of infrastructures for the development of 5G networks without investments from the market, on March 21, 2022 Infratel published the following two tenders:

- fiber backhauling tender; and

- new 5G sites tender.

The European Commission approved the State aid measure, including the above tenders on April 25, 2022. The deadline for submitting the bids expired on May 9, 2022.

Fiber Backhauling Tender

The tender provides for incentives for the investments in the construction of fiber optic links of over 10,000 existing mobile radio sites, up to 90% of its costs. It is divided into six multi-regional lots with an investment incentive of up to €725 million, and the relevant agreements related to each lot were signed between Infratel and TIM on July 29, 2022.

As of December 31, 2023, TIM has received an advance payment for the "Italia a 1 Giga" Plan, "Italia 5G" Plan and Fiber Backhauling Tender of €758 million. See "*Risk Factors—Risks related to the TIM Group's Financial*

Information—The pro forma financial information of the TIM Group may not be necessarily representative of the results that the TIM Group would have achieved as a result of the Transactions and may not be a reliable indicator of its future performance" and "*Risk Factors—Risks related to NetCo's Financial Information—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance*."

New 5G Sites Tender

The second tender is related to the construction of new 5G mobile network infrastructures (fiber, infrastructure and electronic components) in more than 2400 areas. This would ensure a transmission at least 150 Mbit/s download and 30 Mbit/s upload speeds, to be financed up to 90% of the costs with the funds of approximately €974 million. The second tender is divided into six multi-regional lots, different from the lots included in the fiber backhauling tender. This tender was abandoned and was republished with changes on May 20, with a deadline for the bids set for June 10, 2022. The new invitation for the bids provides for funding of approximately €567 million and reduces a number of sites for 50%. On June 28, 2022, Infratel announced that all lots were awarded to INWIT forming a temporary joint venture with TIM and Vodafone for approximately up to €346 million. On July 29, 2022, the relevant agreements relating to the awarded 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 Gbit/s to 10 Gbit/s to approximately 12,280 healthcare facilities throughout Italy. In order to implement the plan, on January 28, 2022 Infratel launched a tender for the supply of ultrabroadband 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 April 11, 2022.

The invitation provides for an allocation of €387 million and is divided into eight territorial lots. Each bidder could be awarded up to four lots. The provisional results of the tenders awarding €314 million was announced on June 6, 2022. TIM won two of the eight lots comprising the regions of Lombardia, Emilia-Romagna, Marche and Umbria, and was awarded approximately €78 million. The relevant agreements related to these lots were signed between Infratel and TIM on September 20, 2022.

"Connected School" Plan

The "*Connected School*" plan aims to complete the 2020-2023 School Plan launched by the Italian Government on May 5, 2020, that provided for the supply of an ultrabroadband connection speed up to 1 Gbit/s with a minimum guaranteed speed of 100 Mbit/s. The plan captures 35,000 school buildings, comprising 78% of the total number of the school buildings in Italy. Particularly, these include kindergartens, primary schools, the first and second level secondary schools, including those located in the White Areas.

In order to implement the plan, between September and December 2020, Infratel carried out a public consultation and issued an invitation for tender with public funding of €274 million divided into seven lots. Each bidder could be awarded up to two lots. On February 26, 2021 Infratel announced the results of the tender awarding €271 million. TIM won two lots that include the regions of Tuscany, Veneto, Marche, Abruzzo, Molise and Puglia, that were awarded €84 million.

The new "*Connected School*" plan launched in 2022 aims to complete the public intervention by including the remaining 9,900 school buildings into the plan.

In order to implement this plan, on January 28, 2022 Infratel launched a new tender, with a total budget of over €184 million to be awarded for the supply of ultrabroadband internet connectivity services at schools in Italy, including the supply and installation of the access network and management and maintenance services. The tender was divided into eight territorial lots and the same operator could be awarded up to four lots. The provisional award of the tenders was announced on June 6, 2022 with approximately €166 million awarded. TIM won four lots comprising the regions of

Piemonte, Liguria, Valle d'Aosta, Tuscany, Lazio, Campania, Calabria, Sicily and Sardinia, winning over €99 million. The related relevant agreements were signed between Infratel and TIM on September 20, 2022.

"Smaller Islands" Plan

The "*Smaller Islands*" an approximately €60.5 million plan aims to provide an adequate connectivity to 18 smaller islands currently without fiber optic connections with the mainland. In particular, the islands will be equipped with an optical backhaul that will allow a development of an ultrabroadband connectivity. The optical backhaul will be accessible to all operators through Submarine Backhaul Access Points ("**SBAP**") 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 plan would be implemented through direct intervention models, with the new network financed and owned by the State and managed by one or more operators, chosen on the basis of a competitive, open, transparent and non-discriminatory process.

The tender to identify the economic operators to be entrusted with the design, supply and installation of submarine fiber optic cables for the construction of the "*Smaller Islands*" plan was launched on November 18, 2021 and ended on December 22, 2021. The tender was abandoned and resubmitted by Infratel on February 11, 2022 with certain modifications. The tender was awarded to Elettra TLC on April 28, 2022 for approximately €45 million.

New consultation on mapping backhauling networks 2023

On December 18, 2023 Infratel launched a new consultation, expiring on January 31, 2024, in order to update the mapping of the backhauling networks. The mapping has the objective of knowing whether the collection points of the fixed access network (on physical carrier or FWA radio) existing, or planned by 2026, have a backhaul network with sufficient capacity to transport the traffic offered by the network access capable of providing download connection speeds equal to or greater than 300 Mbit/s in the peak period for each UI passed.

In the event of a market failure, *i.e.* if the capacity of the backhauling network, existing or planned, is deemed insufficient to cope with the expected development of the corresponding access networks based on the current and future needs of end users, further public intervention to support backhauling networks could be defined.

Ultrabroadband Vouchers Plan

The objective of the Ultrabroadband Vouchers Plan, launched on May 2020 with a total allocation of more than €1 billion, is to promote and incentivize the demand for ultrabroadband connectivity services (NGA and VHCN) across Italy, with the aim to increase the number of households and businesses having access to digital services via high-speed networks of at least 30 Mbit/s. This plan has been implemented through two incentive schemes (i) vouchers for families and (ii) vouchers for businesses.

Vouchers for families

Phase 1

A first phase of the overall intervention was launched on November 9, 2020, with an allocation of €200 million, in favor of families with an Equivalent Economic Situation Indicator ("**ISEE**") of less than €20,000. These families would receive a contribution of €500, consisting of €200 for connectivity and €300 for borrowed tablets or PCs. This scheme was created in response to the first phase of the Covid-19 pandemic as a helpful tool to deal with the effects of the health emergency and to guarantee suitable connection services to ensure continuity of the school and work related activities for the families. The first phase ended on November 9, 2021 and based on the allocation results the measure proved to offer little incentive. In particular, out of the available €200 million, more than €93 million were not allocated, and out of available 400,000 bonuses only 210,000 bonuses were assigned.

Phase 2

On April 27, 2022, Infratel therefore launched a public consultation starting the second phase of disbursement of vouchers for families. Approximately €407.5 million were allocated for the intervention. The consultation expired on May 31, 2022.

On March 22, 2023, Infratel launched a supplementary consultation to the consultation concluded on May 31, 2022, which expired on April 22, 2023, to acquire opinions and observations regarding the following proposals for action:

- intervention in favor of families, without ISEE limitations and without an active "data" contract on the fixed broadband and ultrabroadband network;
- provision of a voucher of €300, to encourage subscriptions to at least 300 Mbps in the form of a discount on the activation price (where present) and on the amount of the service provision fees for a period of up to 24 months, and will include the supply of the related electronic devices (CPE);
- exclusion of families who have already benefited from the connectivity voucher during phase 1, intended for less well-off families; and
- disbursement of an additional contribution equal to a maximum of €130 to cover costs relating to civil works that they may incur within their own private property in order to prepare it for the passage of the necessary infrastructures.

On December 11, 2023, Infratel launched an additional supplementary consultation, which expired on January 11, 2024, to acquire opinions and observations regarding the following the additional proposal, resulting from discussions with the European Commission, to provide a voucher of €100 for the activation of subscriptions to at least 300 Mbps plans, in the form of a discount on the activation price (where present) and on the amount of the service provision fees for a period of up to 24 months, and including the supply of the related electronic devices (CPE), to families without any data services or with services below 30 Mbps.

TIM submitted its observations to the abovementioned public consultations on May 31, 2022, on April 20, 2023, and on January 11, 2024, respectively. However, the results of none of such consultations have been published yet.

Vouchers for businesses

The incentive scheme for businesses, approved by the European Commission on December 15, 2021, was launched on March 1, 2022 and aims to promote ultra-fast internet connectivity for businesses and the digitalization of the production system. The net amount allocated to this scheme is approximately €590 million.

Under the scheme, businesses will be able to request a single voucher to guarantee an increase in connection speed, from 30 Mbit/s to over 1Gbit/s, ranging from €300 to €2,500 depending on the guaranteed download speed and the duration of the contract. Following the decision of the European Commission, the scheme, initially scheduled to expire in December 2022, was extended until December 31, 2023, subject to the availability of the allocated resources.

On March 22, 2023, Infratel launched a new consultation regarding the "Voucher Plan for the incentivization for business connectivity demand–- Application services" expiring on April 22, 2023 in order to acquire opinions and observations regarding the following proposals for action:

- intervention in favor of micro, small and medium-sized enterprises, as well as natural persons with a VAT number who exercise, on their own or in associated form, an intellectual profession pursuant to article 2229 of the Italian Civil Code, or one of the unorganized professions of referred to in the law of January 14, 2013, No. 4;
- provision of a voucher of variable value, for the activation of application services in 5G, Cloud, Cyber Security, Big Data, Artificial Intelligence, Blockchain, Drones, to support the activities of the beneficiaries; and

- voucher contribution available also for companies or professionals who already have a contract with at least 30 Mbps download speed.

TIM submitted its observations on April 20, 2023. The results of this new consultation have not yet been published.

Spectrum

Public auction for the frequencies for five services was concluded in October 2018, and TIM was awarded the following blocks:

- 2 x 10 MHz FDD in the 700 MHz band available starting from July 1, 2022;
- 80 MHz TDD in the 3.6-3.8 GHz band available from January 1, 2019; and
- 200 MHz in the 26.5-27.5 GHz band available from January 1, 2019.

All the frequency rights of use will expire on December 31, 2037 and can be extended for up to eight years.

The below table sets forth the total amount of TIM's licence fee of €2,399.38 million, that was paid in paid several instalments over the period from 2018 to 2022.

2018	2019	2020	2021	2022
€ 477,473,285	€ 18,342,111	€ 110,052,665	€ 55,026,332	€ 1,738,485,953

According to AGCOM Resolution 147/22/CONS, TIM was authorized to quit the provision of 3G/UMTS services, starting from June 1, 2022. The spectrum resources made available will be used to improve the capacity of the LTE and 5G networks.

Following a favorable opinion issued by AGCOM in its Resolution 338/20/CONS, in April 2021 TIM paid about €240 million for the renewal of 2x15MHz FDD spectrum rights of use in the 2100 MHz band until December 31, 2029.

Similarly, following a favorable opinion issued by AGCOM in its Resolution 66/22/CONS in March 2022 TIM was authorized to extend to December 31, 2029 the rights of use of the frequencies in the band 3,4–3,6 GHz (in nine regions) and to swap a 20 MHz block with Linkem. After such swapping, TIM has the rights of use of 20 MHz in all the Italian regions in the 3,4-3,6 GHz band, as well as the right of use of overall 100 MHz in the band 3,4-3,8 GHz. In May 2022 TIM paid approximately €5 million for the extension of the 20 MHz spectrum rights of use in the 3.4-3.6 GHz band until December 31, 2029.

Italian Golden Power Legislation and National Cyber Security Perimeter legislative framework

Under the Golden Power Legislation, the Italian Golden Power Authority may, among others, prohibit or impose undertakings on: (i) the acquisition of certain shareholdings in Strategic Companies, and (ii) resolutions, acts or transactions concerning a Strategic Company and resulting in a change in ownership, control, possession or intended use of the relevant strategic assets or relationships, including, among others, any merger, de-merger, transfer of business/branch of business as going concern, and the enforcement and, according to a prudential interpretation, the granting or extension of pledges over the shares or assets of Strategic Companies. The Company is required to notify the Italian Golden Power Authority of the transactions, resolutions or acts listed above. In the event of non-compliance with the obligations, specific penalties are provided, including administrative fines of up to twice the value of the transaction and in any case not less than 1% of the company's turnover (or the cumulative turnover of the companies involved in the transaction) in the last financial year for which the financial statements were approved.

The scope of application of the Italian Golden Power Legislation also Ides broadband communication systems based on 5G technology that are classified as strategic for the national defence and security, as well as certain 5G technological components. In particular, under the Golden Power Legislation, the acquisition of goods, including high technological components, or services related to the design, implementation, maintenance and management of 5G networks is subject to the approval of the Golden Power Authority. To such end, Strategic Companies operating in the sector of 5G broadband communications are required to provide (and to update if necessary every four months)

the Italian Golden Power Authority in advance with an annual plan of purchases of goods and services relating to the design, implementation, maintenance and management of 5G networks. The said such plan is subject to the approval of the Italian Golden Power Authority, including through the potential imposition of undertakings.

Failure to comply with the said reporting obligation provided under the Italian Golden Power Legislation or with any veto or undertakings imposed by the Italian Golden Power Authority may result in monetary fines, up to 3% of the Company's turnover. Contracts executed in violation of the said reporting obligation or of any undertaking imposed by the Italian Golden Power Authority are null and void. In the event of execution of contracts before the expiry of the deadline for the approval of the Plan, the Government may order the restoration of the previous situation at the expense of the defaulting party and impose a financial penalty in the event of delay in the said restoration.

The regulatory framework on National Security was enriched by the creation, in 2019, of the National Cyber Security Perimeter (PSNC). The legislation is intended to ensure a high level of security of networks, information systems and IT services of public administrations, public and private entities and operators with an established office in the national territory, on which the exercise of an essential function of the State depends, i.e. the provision of an essential service for the maintenance of civil social or economic activities, fundamental to the interests of the State and whose malfunctioning, interruption, even partial, or improper use, may result in a prejudice to national security.

Failure to comply with the obligations may result in administrative fines of up to €1.8 million.

Antitrust

Antitrust Issues in Italy

TIM is subject to Italian competition laws, particularly Italian Law No. 287 dated October 10, 1990 ("*Provisions aiming at protecting competition and the market*") that established the AGCM. AGCM's primary responsibilities and powers include the following:

- application of (i) Law no. 287/1990, (ii) the relevant EU provisions, including Article 101 and Article 102 of the Treaty on the Functioning of the European Union ("**TFEU**"), when applicable, (iii) Legislative Decree No. 206/2005 concerning consumer protection and Legislative Decree No. 146/2007 concerning unfair commercial practices;
- fight against (i) practices and/or agreements that could be restrictive for the competition landscape and (ii) abuses of dominant positions and review mergers and concentrations of enterprises; and
- monitoring conflicts of interest in the case of individuals holding government positions.

In addition, AGCM may adopt interim measures and make binding and enforce commitments upon the proposing parties in order to prevent identified competition concerns and violations.

Antitrust Issues at the European Level

TIM is subject to the European competition framework. European competition regulation covers various matters, including anticompetitive agreements (Article 101 TFEU), abuse of dominance (Article 102 of TFEU), mergers with an EU dimension reaching certain turnover thresholds, and state aid (Article 107 of TFEU).

The European Commission is empowered by the TFEU to apply antitrust rules (Articles 101 and 102 TFEU) directly and for that purpose it holds a number of investigative powers, such as inspection at business and non-business premises and written requests for information. It may also impose fines on subjects and their undertakings infringing the EU antitrust rules. The main antitrust rules on procedures are set out in Council Regulation (EC) 1/2003.

Since May 1, 2004, all National Competition Authorities (in Italy, AGCM) have been empowered to fully apply EU antitrust rules by virtue of Articles 101 and 102 of the TFEU, in order to ensure that competition is not distorted or restricted. The national courts may also apply these provisions in order to protect the individual rights guaranteed to the EU citizens by TFEU.

As part of the overall enforcement of EU competition law, the European Commission has also developed and implemented a policy on the application of EU competition law to actions for damages before national courts. European Commission also cooperates with national courts in order to ensure the coherent application of the EU competition rules within the Member States' judicial systems.

Furthermore, in the event of mergers, acquisitions or extraordinary transactions promoted by or involving TIM or part of its assets, the relevant transaction may be subject to *ex-ante* control by the European Commission, pursuant to Regulation (EC) 139/2004 on the control of concentrations between undertakings (the "**Merger Regulation**"). According to the Merger Regulation, a concentration with "Community dimension" (i.e. involving a turnover over the thresholds provided for by Article 1 of the Merger Regulation) shall be notified to the European Commission prior to its implementation. In case the concentration does not have a Community dimension, it may be subject to ex-ante control from AGCM, provided that the thresholds provided for by Article 16 of Italian Law No. 287 of October 10, 1990 are met. Upon analysis of the prospected transaction, the European Commission may, inter alia: (i) declare the transaction compatible with the common market; (ii) impose on the parties certain conditions and obligations aimed at ensuring the transaction's compatibility with the common market; or (iii) declare the transaction incompatible with the common market. Non-compliance with the obligations set out in the Merger Regulation may lead to fines up to 10% of the aggregate turnover of the infringing undertaking in case of, *inter alia,* failure to notify a transaction, breach of the standstill obligation, failure to comply with one or more of the conditions imposed, as well as in case of implementation of a transaction declared incompatible with the common market.

Telecommunication Regulatory Framework in Brazil

Overview

The telecommunications sector is regulated by Anatel, which was established by law and is administratively independent and financially autonomous from the Ministry of Communication (*Ministério das Comunicações*). Anatel is responsible for reviewing and amending all administrative regulation regarding services, completion and customer's rights related to telecommunications, issuing formal authorizations and performing inspections, as set forth in the General Telecommunications Law and the *Regulamento da Agência Nacional de Telecomunicações*, or the Anatel Decree.

Despite liberalization, which occurred in 1997, the Brazilian telecommunications market still faces persistent dominant positions held by fixed incumbent operators. In particular, broadband access is currently offered by operators over their own infrastructure and the respective regulatory framework is not always based on effective implementation of the wholesale access obligations.

In 1998, a presidential decree approved the first General Plan for Universalization Goals (*Plano Geral de Metas de Universalização*) ("**PGMU**"), obligations binding on the landline telephony services (*Serviço Telefônico Móvel Comutado*) ("**STFC**"), applicable only for fixed incumbents. PGMU is reviewed every five years, and the last universalization plan, formulated by the government, was published in January 2021 considering that fixed telephony concession will end in 2025. The PGMU V, replaces the 4G targets established in PGMU IV for construction of a backhaul in the municipalities that do not have a fiber optic connection.

A presidential decree issued on June 30, 2011, established a bidding process for 4G radio frequency ("**RF**"), an important landmark for the telecommunications sector. The bid occurred in 2012 and, in order to guarantee full rural service by 2018, Anatel linked the 4G blocks in the 2,500 MHz band to the 450 MHz band in specific geographic regions of Brazil. As a result, the four winning operators of the 4G blocks in the 2,500 MHz band linked to the 450 MHz band are subject to coverage commitments in rural areas. Such presidential decree also resulted in two new regulations to measure mobile and fixed broadband quality standards.

In November 2013, Anatel approved the dedication of a single band, of the 700 MHz spectrum, exclusively to mobile services and in September 2014, Anatel concluded the 700 MHz spectrum auction that granted to us, Vivo, Claro and Algar the operation of the 700 MHz frequency for the 4G mobile technology, to be added to the current LTE service in the 2.5 GHz RF. The TIM Group bid on Block 2 of that auction, for national coverage of the 700 MHz band, and won the same with a bid of BRL 1,947 million (a 1% premium over the minimum price of BRL 1,927 million).

The auction also required the winning bidders to proportionally reimburse the broadcasters for the clean-up of the spectrum previously held and used by them. The TIM Group spent approximately BRL 1,199 million in order to create in March 2015 the EAD with the other winning bidders, to ensure the spectrum clean-up. The price allocated to the clean-up of the spectrum related to unsold blocks was shared proportionately among the winning bidders who bought the other blocks. To offset such additional cost to the winning bidders, the price of the 700 MHz spectrum was discounted using Anatel's WACC methodology. As of September 2019, all Brazilian municipalities were able to receive TIM's expanded 4G coverage through the 700 MHz band.

In December 2015, Anatel auctioned remaining radio frequencies in the 1,800 MHz, 1,900 MHz and 2,500 MHz bands. The TIM Group submitted bids for the left over lots of the 2,500 MHz band, which had originally been auctioned in 2012. This particular band spectrum provides for 4G mobile services. The TIM Group were the first ranked bidder in the lots for Recife, in the state of Pernambuco, and Curitiba, in the state of Paraná, based on the Brazil Business Unit's bids which totaled BRL 57.5 million. The corresponding authorization terms were executed by Anatel in July 2016.

On November 2021, the TIM Group acquired eleven lots in the 5G Auction, with a total value offered of BRL 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.

Currently, according to Decree No. 10,402/2020, which regulates Law No. 13,879/2019, it is possible to renew licenses for successive periods. However, some conditions are being disputed with Anatel and judicially, such as value and term of renewal.

In 2018, Decree No. 9,612/2018 (the "**Connectivity Plan**"), was published, establishing a series of guidelines for execution of terms of conduct adjustment, onerous granting of spectrum authorization 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 fixed broadband access network in areas with no available internet access by means of 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. As well as Decree No. 10,480/2020 that regulates the Antennas Law (Law No. 13,116/2015) with the objective of stimulating the development of the telecommunications network infrastructure.

In 2021, there were some important ordinances published, namely: (i) MCom's Decree No. 2,447/2021, which approved the TIM Group's issuance of up to BRL 5,753 billion in debentures, (ii) MCom's Decree No. 2,556, which set priorities and goals for the establishment of investments determined by Anatel, (iii) Decree No. 10,748, which established 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 provided for the organization of the National Consumer Defence System, with the objective of guaranteeing greater protection to consumer relations, increasing legal certainty, and making the administrative process more efficient, and (v) Data Protection Authority Decree No. 15, which established the Governance Committee, responsible for establishing institutional strategies and strategic guidelines related to public governance.

Additionally, there relevant decrees involving 5G were: (i) Decree No. 10,799, that updated 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 established the 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) MCom's Decree No. 1,924/21 about 5G guidelines, mainly about network security; obligation to provide an exclusive government network; backhaul for agribusiness; coverage of federal highways aligned with the Ministry of Infrastructure, among others. In order to use Universal Telecom Services Fund ("**FUST**"), (i.e. the contribution that the telecom sector makes annually), Law No. 14,109/2020 was introduced authorizing the use of FUST, including by the private sector, to expand connectivity in rural or urban areas with a low human development Index ("**HDI**") as well as policies for education and tech innovation of services in rural areas.

In 2020, the Decree No. 10,480/2020 was published by the federal government, which regulates antennas (Law No. 13,116/2015) with the purpose of stimulating the development of telecommunications network infrastructure. This decree was aimed to foster development of telecommunication network infrastructure and is a major step towards unlocking historical problems in the sector preventing its development, for example, some historical problems that the regulation seeks to cure include free right of way on highways and railways, positive silence, small cells and dig once.

On June 15, 2021, Provisional Measure 1,018/2020 was transformed into Law No. 14,173/2021, reducing the charges for satellite internet terrestrial stations and changing some of the FUST application rules. The law reduces FUST collection between 2022 and 2026 for telecommunications operators that run universalization programs approved by the management council (yet to be approved) with their own resources. The benefit will be valid for five years from January 1, 2022 and will be progressive: 10% in the first year; 25% in the second year; 40% in the third year; and 50% from the fourth year onwards. In addition, the new legislation removes the obligation to share towers within a distance of less than 500 metres from each other. The withdrawal of this obligation was considered essential for the implementation of 5G in Brazil, including to allow for the expected increase in density for the new technology.

In 2022, Decree No. 10.952/2022 was published, establishing the transfer of BRL 3.5 billion of FUST collection for connectivity of students and teachers of basic public education and data provided by INEP as criteria for transferring resources. The decree also stipulates that the resources may be used for 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.

In March 2022 Decree No. 11,004/22 was published, which defines how FUST will be operationalized and foresees how the resources will be applied to any telecommunications service.

Also in 2022, Decree No. 11.304/2022 was published, establishing new rules for the Customer Service (SAC). The new "**SAC Decree**" brought more flexible rules regarding service hours, provision of protocol and digital service.

In July 2022. Law No. 14.424/2022 was published, which authorizes the installation of telecommunications infrastructure in cases where the competent body does not respond within the established period.

In 2023, Resolution No. 163 was published, which provides for the Resource Application Plan of the National Bank for Economic and Social Development - BNDES, for the period 2023-2025 with an investment perspective of BRL 686,314,215, 62.

Anatel

Over the years, Anatel has published several resolutions that apply obligations to the telecommunications sector, such as:

Resolutions Published in 2023:

(i) Resolution No. 759/2023: this Resolution approved the Plan for Assignment, Destination and Distribution of Frequency Bands in Brazil ("**PDFF**")

(ii) Resolution No. 760/2023: this Resolution approved the new "Signal Jammer Resolution"

(iii) Resolution No. 761/2023: this Resolution amend the Resolution No 717/2019 which approved the RQUAL

(iv) Resolution No 765/2023: this Resolution approved the new RGC – General Consumer Protection Regulation

(v) Resolution No 766/2023: this Resolution approved the allocation of RF sub-bands in the 4.9 GHz band.

Main Public Consultations Held in 2023:

(i) Public Consultation No. 23/2023: Technical and Operational requirements for RF Spectrum Use

(ii) Public Consultation No. 64/2023– PGMC - General Plan of Competition

(iii) Public Consultation No. 65/2023: RUE – Spectrum Use Regulations

(iv) Public Consultation No. 68/2023: Technical and Operational requirements for authorization in a delimited area (polygons)

(v) Public Consultation No. 71/2023: Regulation for Sectoral Data Collection

(vi) Call for Subsidies No. 13/2023: Regulation of Users' Duties (Fair Share)

(vii) Call for Subsidies No 21/1023: Review of Regulation for the Application of Administrative Sanctions (RASA)

(viii) Call for Subsidies No 23/2023: Technological transition from 2G and 3G standards to 5G (2G/3G switch off)

(ix) Call for Subsidies No 25/2023: Evaluation of roaming application on highways.

Telecommunications Self-Regulation System

In March 2020, telecommunication operators signed the Telecommunications Self-Regulation System ("**SART**"), which proposes to establish common rules and procedures that must be followed by all participating companies, in relation to the most important topics related to providers and customers, such as telemarketing (approved in September 2019), offers (approved in March 2020), billing (approved in February 2021) and attendance (approved in March 2020).

Other Agencies

Recently, TIM Group monitored and participated in Public Consultations carried out by ANEEL, on topics related to infrastructure sharing (poles) and distributed generation. The results of the Public Consultations are expected for the years 2023 and 2024.

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 on October 4, establishing a new regulatory framework for the telecommunications sector in Brazil also constituting the biggest regulatory change in the last 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.

Authorizations

With the privatization of the Telebrás system and pursuant to the Minimum Law (*Lei Mínima*), Band A and Band B service providers were granted concessions under Cellular Mobile System ("**SMC**") regulations. Each concession was a specific grant of authority to supply mobile telecommunications services in a defined geographical area, subject to certain requirements contained in the applicable list of obligations attached to each concession.

The predecessors of the companies part of the Brazil Business Unit were granted SMC concessions and in December 2002, such SMC concessions were converted into PCS authorizations, with an option to renew the authorizations for an additional 15 years. TIM S.A. acquired PCS authorizations in conjunction with auctions of bandwidth by Anatel in 2001, and subsequently acquired additional authorizations and operations under the PCS regulations as well.

The Brazil Business Unit holds all of the authorizations previously issued in the name of other companies controlled, directly or indirectly, by TIM Participações.

Obligations of Telecommunication Companies

Among all the obligations imposed on telecommunications providers, Resolution No. 632/2014 has the most significant impact. Pursuant to this resolution, Anatel approved the adoption of a single regulation for the telecommunications sector, the RGC, with general rules for customer service, billing, and service offers, which are applicable to fixed, mobile, broadband and cable TV customers. This regulation was subject to a Public Consultation in 2020, and a new Regulation was published by Anatel in November 2023 (Resolution No. 765/2023) and will come into force as of September 2, 2024. In December 2019, Anatel approved RQUAL, which came into force in March 2022. After reviewing certain indicators, operators will be classified from A-E (expected to take place in 2023). See "— *Quality Management Regulation*."

PCS Regulation

In September 2000, Anatel promulgated regulations regarding PCS wireless telecommunications services that are significantly different from the ones applicable to mobile companies operating under Band A and Band B.

According to rules issued by Anatel, renewal of a concession to provide mobile telecommunications services, as well as permission from Anatel to transfer control of cellular companies, are conditioned on agreement by such cellular service provider to operate under the PCS rules. TIM Sul, TIM Nordeste and TIM Maxitel converted their cellular concessions into PCS authorizations in December 2002, and later transferred them to TIM Sul, TIM Nordeste and TIM Maxitel, which are now TIM S.A.

In recent years, Anatel initiated certain administrative proceedings against TIM Celular (now TIM S.A.) for non-compliance with certain quality standards and noncompliance with its rules and authorization terms. The Brazil Business Unit has been fined by Anatel in some proceedings and are still discussing the penalty imposed in appeals before the agency. As a result of these proceedings, Anatel applied some fines that did not cause a material adverse effect on the Brazil Business Unit. On December 31, 2023, the total amount of these fines was BRL 301 million (after adjusting for inflation). However, only BRL 32.8 million (after adjusting for inflation) was classified as "probable loss" by Brazil Business Unit's legal advisors. The significant amount related to fines classified as "possible loss" is a result of ongoing litigation.

On August 22, 2019, Anatel's board of officers unanimously approved the execution of a TAC with TIM S.A., effective for four years from signature. The agreement covers fines imposed against the TIM Group in the total amount of BRL 639 million. The commitment TIM S.A. assumed, as also approved by its board of directors on June 19, 2020, foresees actions to develop its services from three different perspectives: (i) customer experience, quality and infrastructure, through initiatives to improve the licensing process of base stations, efficient use of resources, (ii) evolution of digital service channels, decreasing complaint rates and user repair demands, and (iii) reinforcement of transportation and access networks. In addition, the agreement also includes the commitment to bring mobile broadband through the 4G network to 350 cities with less than 30 thousand inhabitants thus reaching over 3.4 million people and the application of Internal Controls Management to ensure compliance with the closed proposal and the commitment to not impose inspection obstructions. As released to the market on June 16, 2020, and previously

approved by Anatel on August 22, 2019, the TAC provided the implementation of the new infrastructure in three years, with the TIM Group's assurance that these areas will be shared with other providers.

In the TIM Group's view, by January 2024, 68% of commitments had already been completed, 15% under analysis and 17% in progress.

The TIM Group has been complying with the TAC implementation schedule and has been presenting its understanding to Anatel in cases in which the Agency indicates signs of non-compliance in the Schedule Item Non-Compliance Investigation Procedures (PADIC) eventually established.

Significant Market Power

In November 2012, Anatel published a new competition framework, the *General Plan for Competition Targets* (the "**PGMC 2012**"). Also in November 2012, Anatel published a series of regulations identifying groups with significant market power in the following relevant markets as defined by the PGMC 2012: (i) wholesale offer of fixed access infrastructure for data transmission through copper or coaxial cable in rates equal or higher than 10 Mbps (Act No. 6,617, of November 8, 2012); (ii) wholesale offer of fixed infrastructure for local and long distance transportation for data transmission in rates equal or higher than 34 Mbps (Act No. 6,619, of November 8, 2012); (iii) passive infrastructure for transport and access networks (Act No. 6,620, of November 8, 2012); (iv) mobile network termination (Act No. 6,621, of November 8, 2012); and (v) national roaming (Act No. 6,622, of November 8, 2012). On December 5, 2016, Anatel published public consultations on (i) the revision of PGMC 2012's relevant markets and remedies; and (ii) the proposal of a specific Regulation for the Approval of Reference Offers, for public comment until March 22, 2017.

In July 2018, Anatel published the new PGMC (the "**New PGMC**") reviewing some of its points and set up new markets: (i) national roaming and (ii) high capacity data transport. According to the New PGMC proposal, cities in Brazil will be classified by levels of competition (1 – competitive, 2 – moderately competitive, 3 – less competitive, 4 – non-competitive), and asymmetric measures will be applied according to the market competition. In addition, also based on the proposal submitted to public consultation, wholesale relevant markets will be defined as follows:

PGMC 2012	PGMC 2018
Wholesale mobile call termination	Wholesale mobile interconnection
National roaming	National roaming
Full unbundling and bistream, or wholesale fixed network infrastructure access less than 10 Mbps	Wholesale fixed network infrastructure access
Leased lines, interconnection class V, interlinking, or wholesale fixed network infrastructure transport less than 34 Mbps	Leased lines
Ducts, trenches and towers, or passive infrastructure	Towers regulated by law
-	Wholesale fixed interconnection
	High capacity data transport

Under the PGMC 2018, the TIM Group has been identified as having SMP in the following wholesale markets: (i) mobile network termination; (ii) data traffic exchange; (iii) data traffic; (iv) national roaming; and (v) high capacity data transport (five municipalities). The measures applied to an significant market power operator in those markets include: (i) the application of mobile termination rates on a glide path based on a price cap system and the partial application of the Bill & Keep ("**B&K**") system (at a 50% threshold (i.e. not a significant market power operator pays only if the terminated traffic on the significant market power operator network is more than 50% of the total traffic exchanged) and only until the next revision of the New PGMC in 2021); and (ii) an obligation to offer the service of national roaming service to non-SMPs.

Due to such classification, the TIM Group is subject to increased regulation under the New PGMC, which could have an adverse effect on its business, financial condition and results of operations. Specifically, because the TIM Group

has been classified as having SMP in the mobile network interconnection, the rates charged by mobile service providers to other mobile service providers to terminate calls on their mobile networks (“*Value to Use the Mobile network,”* the “**VU-M**”), are regulated. On July 4, 2014, Anatel approved, by means of Resolution No. 639/2014, a rule for the definition of maximum reference rates for entities with significant market power, based on a cost model, for VU-M, (“*Tarifa de US da Rede Local”* or “**TU-RL**”), and EILD. Pursuant to Anatel’s rule, reference rates will decline based on a glide path until the cost modelling known as Bottom-Up Long Run Incremental Cost models (“**BU-LRIC**”) is applied (in 2019, for VU-M and TU-RL; and in 2020, for EILD). On July 7, 2014, Anatel published the corresponding Acts Nos. 6,210/2014, 6,211/2014 and 6,212/2014, which determined the specific reference rates effective as of February 2016. On December 19, 2018, Anatel published the corresponding Acts Nos. 9,918/2018, 9,919/2018 and 9,920/2018, which determined the specific reference rates effective as of February 2020. Before coming into force, Anatel started revising these acts and, on February 24, 2020, published the new Acts Nos. 986/2020 and 987/2020. Finally, on April 2023, Anatel published the corresponding Acts 3.246/2023, which predict TU-RL and VU-M values from February 2024.

Because of the TIM Group’s classification as having significant market power in the national roaming market, it must also offer roaming services to other mobile providers without significant market power at the rates approved by Anatel.

The TIM Group is also required to provide access to its high-capacity data transport network due to its classification as having SMP in that market.

Until July 2018, roaming reference values were provided for in Act No. 9,157/2018. After deliberation by Anatel’s board of directors in June 2022, the new values are now provided for in Act No. 8,822/2022.

In the high-capacity data transport, Anatel’s board of directors recently approved Act No. 15,944/2022, replacing Act No. 9,161/2018.

Interconnection Regulation

Telecommunication operators must publish a public interconnection offer on both economic and technical conditions and are subject to the “*General Interconnection Regulatory Framework*” (“**GIRF**”) issued by Anatel in 2005.

In October 2011, Anatel established a mechanism for reducing fixed-to-mobile call rates, that results on a glide path to the reduction of mobile interconnection rates VU-M from 2012 to 2018, in accordance with Resolution No. 600/2012.

In addition to the VU-M reduction, Anatel established a bill and keep (“**B&K**”), rule between SMP and non-SMP PCSs. From January 2013 until February 2015, the B&K was 80%/20%. On February 12, 2015, Anatel approved, by means of Resolution No. 649/2015, the following new B&K percentages, amending the percentages established by Resolution No. 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, which was the object of a judicial suit (ongoing), in order to suspend its effects. In July 2015, companies part of the Brazil Business Unit filed a lawsuit seeking to annul Resolution No. 649/2015 and maintain the percentages originally established by Resolution No. 600/2012, which currently remains pending a final decision. However, as discussed above, the New PGMC in 2021 set 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) and will be applied until the next revision of the New PGMC. In addition, Anatel determined the end of the existing additional 20% on the value of mobile termination rate paid by SMPs to non-SMPs.

Related to fixed interconnection, Anatel revised the criteria for pricing the use of fixed networks in May 2012. According to such regulation, after January 1, 2014, a full B&K regime (in which no payments are due for the traffic termination) was implemented for local STFC operators dealing with other local STFC operators. Currently, therefore, no payments are due for the use of a local STFC operator’s network by other local STFC operator. With respect to interconnection of STFC operators with long distance and mobile operators, the TIM Group understands that, in July 2018, when Anatel issued New PGMC 2018, the asymmetrical measure that permitted STFC operators without SMP to charge a TU-RL 20% higher than the TU-RL charged by STFC operator, with SMP was revoked.

On July 4, 2014, Anatel approved, by means of Resolution No. 639/2014, a rule for the definition of maximum reference rates for entities with significant market power, based on a cost model, for VU-M and TU-RL, and for EILD. On July 7, 2014, Anatel published the corresponding Acts No. 6,210/2014, 6,211/2014 and 6,212/2014, which determined the specific reference rates effective as of February 2016.

On December 19, 2018, Anatel published the corresponding Acts Nos. 9,918/2018, 9,919/2018 and 9,920/2018, which determined the specific reference rates effective as of February 2020. Before coming into force, Anatel started revising these acts and, on February 24, 2020, published the new Acts Nos. 986/2020 and 987/2020. Recently, Anatel published Act 3,246/2023, in which it edited the Reference Values until 2027 from the change from Top Down model to Bottom Up model.

Wholesale Rates Regulation

Under its PCS authorizations, the companies part of the Brazil Business Unit are allowed to set prices for its service plans, subject to approval by Anatel, *provided* that such amounts do not exceed a specified inflation adjusted cap. Anatel currently uses the telecommunication services index (*Índice de Serviços de Telecomunicações*) ("**IST**"), a specific price inflation index that it developed, in evaluating prices and determining the relevant cap for prices charged in the telecommunications industry. As mentioned above, on July 4, 2014, Anatel approved the calculation of VU-M, TU-RL and EILD reference rates based on a cost model. The TIM Group expects that the adjustment of its prices will follow the market trend, and that the adjustment will be below the annual inflation rate based on the IST.

Number Portability

In March 2007, Anatel issued a new regulation regarding number portability in Brazil for fixed telephony and PCS providers. Portability is limited to migration between providers of the same telecommunications services. For PCS providers, portability can take place when a customer changes its services provider within the same Registration Area as well as when a customer changes the service plan of the same area. Anatel finished the nationwide number portability ("**NP**") implementation schedule in March 2009.

Value-Added Services and Internet Regulation

Value-Added Services ("**VSR**") are not considered under Brazilian telecommunications regulations to be telecommunications services, but rather an activity that adds features to a telecommunications service. Regulations require all telecommunications service providers to grant network access to any party interested in providing VSR, on a non-discriminatory basis, unless technically impossible. Telecommunications service providers also are allowed to render VSR through their own networks. Internet connection, when offered to users on a single basis, by parties other than telecommunications service providers, is considered by Brazilian legislation to be a value-added service, and its providers are not considered to be telecommunications companies. Current regulations allow the TIM Group or any other interested party to offer internet connection through the TIM Group's network. In such case, internet connection would be deemed as a portion of the telecommunications service that enables users to navigate the internet.

In April 2014, the Brazilian President passed Law No. 12,965/2014, known as the Legal Framework for the Use of the Internet (*Marco Civil da Internet*) (the "**Internet Framework**"), which establishes the principles, guarantees, rights and duties for the use of the Internet in Brazil. Key topics covered in the Internet Framework are: 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 Presidential Decree No. 8,711/2016 was enacted by the Brazilian President on May 11, 2016 and provided additional detail on the Internet Framework in three main aspects: (i) clarification of the scope and implementation of the net neutrality rules, (ii) implementation of the rights and obligations related to privacy and data protection regarding Brazilian internet users, and (iii) governance of the Internet Framework, including authorities entitled to enforce the legislations. See "*—Review of the Current Regulatory Model for the Provision of Telecom Services*."

Privacy and Data Protection

On August 14, 2018, the Brazilian President passed the Brazilian General Data Protection Law (*Lei Geral de Proteção de Dados Pessoais*) (the "**LGPD**"). This new law is closer to GDPR, including significant extraterritorial application and considerable fines of up to 2% of a company's global turnover of the previous financial year. The LGPD came into effect on September 18, 2020. However, the administrative sanctions provisions of LGPD only became enforceable as of August 1, 2021, pursuant to Law No. 14,010/2020. Cybersecurity incidents and data breach or leakage events may subject the TIM Group to the following penalties: (1) warnings, with the imposition of a deadline for the adoption of corrective measures; (2) a one-time fine of up to 2% of gross sales of the company or a group of companies or a maximum amount of BRL 50 million per violation; (3) a daily fine, up to a maximum amount of BRL 50 million per violation; (4) public disclosure of the violation; (5) the restriction of access to the personal data to which the violation relates, until corrective measures are implemented; (6) deletion of the personal data to which the violation relates; (7) partial suspension of the databases to which the violation relates for up to 12 months, until corrective measures are implemented; (8) suspension of the personal data processing activities to which the violation relates for up to 12 months; and (9) partial or full prohibition on personal data processing activities. The postponement of the administrative sanctions did not prevent the competent authorities to begin supervision procedures and enactment of additional rules to be complied with prior to such effectiveness date, nor did it prevent individual or collective lawsuits based on violation of data subject's rights and subject to civil liability.

The TIM Group has set up a team tasked with adapting its processes and technologies to ensure compliance with the LGPD requirements. Notably, the companies part of the Brazil Business Unit have, among other developments, nominate a Data Protection Officer in December 2018, created specific clauses for the protection of personal data in its contracts with suppliers and business partners, developed training for all employees and salesforce as well as customized training for top leadership on the topic of data protection, established internal and external normative in order to set and establish conditions to process personal data, created a flow and process to handle data breaches, created a channel to receive and answer requests from data subject to exercise data protection rights and a Privacy Central was created on the TIM Group's Brazil website. In order to comply with the LGPD and to manage the data subject rights an internal team was formed to lead the necessary actions. Additionally, in 2022 TIM S.A., obtained the ISO 27001 certification, a standard for the information security management system and created an Executive Data Protection Committee, led by its Chief Executive Officer, Mr. Alberto Mario Griselli.

Frequencies and Spectrum Background

In connection with the PCS authorization auctions in 2001 and 2002, Anatel divided the Brazilian territory into three separate regions, each of which is equal to the regions applicable to the public regime fixed-line telephone service providers. PCS services could only be provided under Bands C, D and E at that time with initially 1800 MHz band and afterwards also the 900 MHz band. The TIM Group acquired the D band in regions II and III and the E band in region I, completing The TIM Group's national coverage when considering TIM Sul, TIM Nordeste and Maxitel coverage (each ultimately merged into TIM S.A.). In March 2016, the authorizations for the D and E bands were renewed.

In December 2007, the Brazil Business Unit acquired new authorizations for the 1,800 MHz frequency in São Paulo and Rio de Janeiro in order to improve its RF capacity in these regions. Within the same auction, Claro and Vivo acquired authorizations to provide PCS services in regions where the Brazil Business Unit had historically provided services but where Claro and Vivo previously did not, using 1,800 MHz and 1,900 MHz bands. This resulted in increased competition in these regions. In the same auction, Oi received authorization to provide PCS services in the state of São Paulo using 1,800 MHz (band M in the whole state and band E in the state's countryside).

In December 2007, the Brazil Business Unit acquired 3G frequencies sub-bands (1,900–2,100 MHz), with national coverage; these authorizations were granted in April 2008 and are valid until 2023. Oi, Claro, Vivo and Algar Telecom also acquired 3G frequencies sub-bands in the same auction carried out by Anatel. All the authorization winners were subject to coverage and/or expansion commitments, divided by Municipality among the winners, in unserved areas.

In December 2010, Anatel auctioned an empty 3G band of radio spectrum consisting of (10+10) MHz in 2.1 GHz in the whole country (the "**H Band**") auction, and other left over frequencies in the 900 MHz and 1800 MHz bands that

had not been assigned in previous auctions. In this auction: we, Vivo, Claro and Nextel (now America Movil) acquired blocks of frequencies.

In December 2011, Anatel auctioned 16 blocks in the 1,800 MHz band, which were sold to Claro, Oi, CTBC and TIM. As a result of its participation in the auction, the Brazil Business Unit expanded its 2G coverage and increased its presence in the northern and central-western regions of Brazil, including the states of Paraná, Espirito Santo, Rio Grande do Sul, Santa Catarina and Minas Gerais.

In 2012, Anatel established a bidding process in order to comply with Presidential Decree No. 7,512 of June 2011, which set April 2012 as the deadline to auction the 2.5 GHz band, in order to introduce 4G technology in Brazil. Anatel modelled the auction with two national blocks of (20+20) MHz (W and Z) and two national blocks of (10+10) MHz (V1 and V2). In order to guarantee full rural service by 2018, Anatel linked the 4G blocks to the 450 MHz band in specific geographic regions of Brazil. Then, in 2022, through Act No. 12,827, published on September 13, 2022, the 450 MHz block was extinguished. As indicated in the notice, the winners of the auction committed themselves to the waiver if services were not activated within the established time frame.

The Brazil Business Unit participated in the auction as a group bidding in the name of TIM and Intelig (now TIM S.A.). The Brazil Business Unit did not bid for the W block (Amazonas as a rural area), which the Brazil Business Unit viewed as having a high premium if compared to the X block (67%). The Brazil Business Unit successfully acquired the V1 block, which in its view held the best capital expenditure/operating expenditure profile associated with rural services in its selected regions (the States of Rio de Janeiro, Espirito Santo, Santa Catarina, and Paraná). The joint bid allowed the Brazil Business Unit to take advantage of the flexibility of the auction rules. These bands brought heavy coverage obligations as its short-range characteristics demands large investments.

In November 2013, Anatel approved the dedication of a single band, of the 700 MHz spectrum, exclusively to mobile services and in September 2014, Anatel concluded the 700 MHz spectrum auction that granted to us, Vivo, Claro and Algar the operation of the 700 MHz frequency for the 4G mobile technology, to be added to the current long term evolution ("**LTE**") service in the 2.5 GHz RF. The Brazil Business Unit bids on Block 2 of that auction, for national coverage of the 700 MHz band, and won the same with a bid of BRL 1,947 million (a 1% premium over the minimum price of BRL 1,927 million).

The auction also required the winning bidders to proportionally reimburse the broadcasters for the clean-up of the spectrum previously held and used by them. The Brazil Business Unit spent BRL 1,199 million in order to create in March 2015 the Ethernet Access Direct ("**EAD**") with the other winning bidders, to ensure the spectrum clean-up. The price allocated to the clean-up of the spectrum related to unsold blocks was shared proportionately among the winning bidders who bought the other blocks. To offset such additional cost to the winning bidders, the price of the 700 MHz spectrum was discounted using Anatel's WACC methodology. As of September 2019, all Brazilian municipalities are able to receive TIM's expanded 4G coverage through the 700 MHz band.

In December 2015, Anatel auctioned remaining radio frequencies in the 1,800 MHz, 1,900 MHz and 2,500 MHz bands. The Brazil Business Unit submitted bids for the left over lots of the 2,500 MHz band, which had originally been auctioned in 2012. This particular band spectrum provides for 4G mobile services. The Brazil Business Unit was the first ranked bidder in the lots for Recife, in the state of Pernambuco, and Curitiba, in the state of Paraná, based on the Brazil Business Unit's bids which totalled BRL 57.5 million. The corresponding authorization terms were executed by Anatel in July 2016.

In November 2021, TIM acquired eleven lots in the 5G Auction, with a total value offered of BRL 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.

Currently, according to Decree No. 10,402/2020, which regulates Law No. 13,879/2019, it is possible to renew licenses for successive periods. However, some conditions are being disputed with Anatel and judicially, such as value and term of renewal.

In April 2023, Anatel extended the validity of radiofrequency authorizations in the 1,800 MHz and 2,100 MHz bands, which will be valid until 2032 and 2038, respectively.

The actual scenario of frequencies granted to the Brazil Business Unit by Anatel is presented on the table below:

Territory	**Frequencies**							
UF	**450 MHz**	**700 MHz**	**800 MHz**	**900 MHz**	**1800 MHz**	**Additional 1800 MHz**	**1900 MHz (3G)**	**2100 MHz (3G)**
Acre		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Alagoas		December 2029	December 2028	December 2032	December 2032	-	April 2038	April 2038
Amapá		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Amazonas		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Bahia		December 2029	August 2027*	August 2027*	August 2027*	-	April 2038	April 2038
Ceará		December 2029	November 2028*	November 2032	December 2032*	-	April 2038	April 2038
Distrito Federal		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Espírito Santo		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Goiás		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Maranhão		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Mato Grosso		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Mato Grosso do Sul		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Minas Gerais ***		December 2029	April 2028*	April 2028*	April 2028*	April 2032	April 2038	April 2038
Pará		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Paraíba		December 2029	November 2028*	December 2032	November 2032*	-	April 2038	April 2038
Paraná		December 2029	November 2028* and March 2031* for the cities of Londrina and Tamarana	December 2032* and April 2032 for the cities of Londrina and Tamarana	December 2032* and April 2032 for the cities of Londrina and Tamarana	April 2032	April 2038	April 2038
Pernambuco		December 2029	November 2028*	May 2024*	December 2032*	-	April 2038	April 2038
Piauí		December 2029	November 2028*	March 2024*	December 2032*	-	April 2038	April 2038
Rio de Janeiro		December 2029	March 2031*	March 2031*	March 2031*	-	April 2038	April 2038
Rio Grande do Norte		December 2029	November 2028*	December 2032	December 2032*	-	April 2038	April 2038
Rio Grande do Sul		December 2029	March 2031* and November 2028* city of Pelotas and its surrounding region	March 2031* and April 2032 city of Pelotas and its surrounding region	March 2031* and December 2032* city of Pelotas and its surrounding region	April 2032	April 2038	April 2038
Rondônia		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Roraima		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038
Santa Catarina		December 2029	November 2028*	September 2032	December 2032*	April 2032	April 2038	April 2038
São Paulo		December 2029	March 2031*	March 2031*	March 2031*	Interior – April 2032	April 2038	April 2038
Sergipe		December 2029	August 2027*	August 2027*	August 2027*	-	April 2038	April 2038
Tocantins		December 2029	March 2031*	March 2031*	March 2031*	April 2032	April 2038	April 2038

* Terms already renewed for 15 years.

** Only covers complementary areas in the specified states. The Radio frequency Blocks of the Municipalities of the National Code 92, which were part of Lot 208, were returned.

*** Except for the cities in sector 3 of PGO for 3G and excess radio frequency.

Industrial Exploration of Dedicated Lines

In December 2010, Anatel approved a public hearing that considered alterations of the Industrial Exploration of Dedicated Lines (*Exploração Industrial de Linha Dedicada* or "**EILD**"), which established mechanisms for the operation of transmissions circuits up to 34 Mbps to increase transparency between operators and concessionaires. In May 2012, Anatel approved the new EILD regulations (*Regulação de Exploração Industrial de Linha Dedicada*) (the "**REILD**"), detailing mechanisms to optimize the operating structure for transmission loop contracts in order to increase contract price transparency and affording equal treatment to independent service providers from concessionaire groups. The REILD specifically sets out more effective rules on project definition including Standard EILD or Special EILD, in addition to contract and delivery terms, and specifies EILD delivery dispute resolution procedures. Concurrently, in May 2012, Anatel approved new EILD reference prices, a step towards value fixation in controversies between service providers.

Considering that EILD is also a market subject to the asymmetric regulation defined by Anatel in the PGMC 2012, operators classified by Anatel as pertaining to group with significant market power in the EILD market, such as Oi, were required to submit reference prices and offers for Anatel's approval, as well as to only offer EILD through a specific system designed for the PGMC 2012. In September 2013, Anatel ratification, for the first time, reference prices and offers of the operators with significant market power in the EILD market. At least every six months new reference prices and offers must be submitted for Anatel's approval. The Brazil Business Unit is not currently classified as having an SMP in the EILD market.

Nevertheless, the TIM network is still growing and, with its backbone now reaching the North region of Brazil by using optical fiber technologies and not only via satellite, this has allowed TIM to strengthen and expand the services offered in that region, particularly in the states of Pará, Amapá and the city of Manaus, the capital of the state of Amazonas and a very important industrial zone.

The greatest benefits of the use of the optical fiber technology are the higher network stability and assurance, greater voice and data traffic capacity and the higher transmission rates that the Brazil Business Unit can now provide to its customers, all of which are essential features to support the increasing telecommunication services demands in the region. In addition to these perspectives, the Brazil Business Unit contributes to reduce social disparities, offering the same technology to its customers, as well as content residing locally in its data centers, making no difference to the technical architecture built in a big metropolitan centers.

The Brazil Business Unit has started discussions to apply the EILD reference rates based on cost model to the existing agreements it has with operators with significant market power in the EILD market. As part of the strategy of reducing operating expenses and as consequence of the expansion of its optic network infrastructure the Brazil Business Unit is gradually deactivating leased lines such as EILD. The agreements for network sharing between the national operators is also a key factor to the reducing of leased lines. The number of leased circuits has considerably decreased along the last year. New lines are hired only in the cases where leasing is demonstrated to be the most cost effective solution.

Migration of the Mobile Networks with Analog Technology

In February 2011, Anatel approved Resolution No. 562/11, which modified a provision of the regulation on conditions of use of RF, determining that, after a period of 360 days from the publication, the use of analog technology in RF sub bands of 800 MHz would no longer be allowed.

In relation to the use of such RF, the Brazil Business Unit no longer has subscribers of analog technology. However, the Brazil Business Unit's analog networks were still used by STFC concessionaires to provide services to subscribers in rural areas of the country, through a service called RuralCel.

In December 2016, Anatel approved Resolution No. 672/16, which prohibited the use of analog technology in the radio frequency sub bands of 800 MHz, 900 MHz, 1,800 MHz, 1,900 MHz and 2,100 MHz. The Brazil Business Unit

shut down its RuralCel service in 2017, and consequently turned off the related radio base stations, as attested to by Oi and recognized by Anatel in Decision-making No. 6/2017.

Quality Management Regulation

In October 2011, Anatel published PCS and multimedia communication service ("**SCM**") quality management regulations to establish quality parameters which were to have been met by the mobile telephone and internet connection operators in up to 12 months. Most quality parameters established relating to the quality of the networks, both mobile and fixed, became effective in October and November 2012.

In response to the need to better quantify the financial impacts, Oi submitted a request for cancellation together with a request for review to Anatel for the presentation of technical surveys of the economic impacts of the new regulations. The aforementioned request was submitted to public hearing by Anatel, which resulted in a series of divergent opinions regarding the quality measures by the different operations that are being analysed by Anatel.

With regard to STFC, in December 2012, Anatel approved the Quality Management Regulation for STFC service providers, which aims to create a new quality management model available, such as the Quality for PCS and SCM.

In February 2013, Anatel published the STFC quality management regulations to establish quality parameters that must be met by fixed-line operators within 120 days. All established parameters took effective in June 2013.

In December 2019, Anatel approved the new RQUAL based on a reactive regulation. In this new model, quality is measured on the basis of three main indicators – a Service Quality Index, a Perceived Quality Index and a User Complaints Index – and operators are classified into five categories (A to E). Based on this 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.

At the end of November 2021, after a joint work by Anatel, operators and the Quality Assurance Support Authority to define the objectives, criteria and reference values of indicators, 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 force on March 1, 2022. Anatel will also disclose the official indexes, and the quality label (intended to increase competition for quality) in 2023, considering the results of the new indicators monitored in the second half of 2022. Meanwhile, adjustments to the criteria and reference values can be made by Anatel.

After a joint effort by Anatel, operators, and the Quality Assurance Support Authority (ESAQ) to define the objectives, criteria, and reference values of the indicators, at the end of November 2021, Anatel's ***b***oard of ***d***irectors formalized the reference documents that support this regulation: the Operational Manual and the Reference Values; and established the operational entry into force on March 1, 2022. Currently, the results of the quality indicators are already being disclosed monthly by the Agency on its website, specifically in relation to the Quality Seal (which stimulates competition in quality). In November 2023, the Agency determined the temporary and partial suspension of the Reference Values Document and the quality seals for the years 2022 and 2023 and granted a period of 120 days for the presentation of new proposals for methods and parameters for the definition of quality seals**.**

Fraud Detection and Prevention

"*Subscription fraud*," which consists of using identification documents or personal data information of another individual to obtain mobile services, is the main fraud relating to mobile, fixed and long distance service. The Brazil Business Unit is focused on implementing prevention measures in its points of sales to avoid such subscription fraud, such as: (i) digital authentication for its sales front-end system; (ii) a strong training program; (iii) maintenance of a list of offenders to prevent fraud; (iv) analysis of the documentation presented; and (v) monitoring and identification of point of sale. The Brazil Business Unit also works to detect and prevent fraud by frequently improving and updating its traffic behavior monitoring and subscriber data.

The Brazil Business Unit's security operations management develops programs and strategies to mitigate risks through macro business processes such as:

- *Network:* Actions aimed to combat theft, robbery or damage of equipment and network infrastructure by the application of physical and electronic protections, such as equipment tracking, installation of protective security equipment, virtual and physical surveillance and intelligence analysis.

- *Investigations of Specific Incidents:* These anti-fraud efforts are focused on the reduction of illicit activities. The program consolidates and analyses all the facts related to known incidents in order to identify circumstances in which the Brazil Business Unit's services may be being used to perpetuate noncompliance with laws, codes and other policies such as extortion, pedophilia, aggression, theft, drug trafficking and harassment.

- *Personal Security:* These efforts focus on the combined use of organizational, technical and human resources aimed at preserving the physical, intellectual and emotional integrity of the human resources of the group, ensuring compliance with the precepts pointed out in the security operations mission and focused on the foreign public on a visit to Brazil.

- *Commercial Security:* These efforts seek to mitigate the losses resulting from theft and robbery of smartphones, among them the deployment of safes in the stores for the storage of high value devices in all stores, prioritizing street-front stores.

- *Security in Logistics:* These efforts are directed to combat loss due to theft or theft of merchandise whether in transportation or storage.

Taxes on Telecommunications Goods and Services

The telecommunications goods and services offered are subject to a variety of federal, state and local taxes (in addition to taxes on income), the most significant of which are ICMS, ISS, COFINS, PIS, FUST, FUNTTEL, FISTEL, CONDECINE and Corporate Income Tax and Social Contribution on Net Income, which are described below.

ICMS: The principal tax applicable to goods and telecommunication services is a state value-added tax (*Imposto sobre Operações Relativas à Circulação de Mercadorias e sobre Prestações de Serviços de Transporte Interestadual, Intermunicipal e de Comunicação*) ("**ICMS**"), which the Brazilian states levy at varying rates on certain revenues arising out of the sale of goods and services, including certain telecommunications services. Currently, the ICMS tax rate for domestic telecommunications services is levied at rates between 17% and 29%. The ICMS tax rate levied on the sale of mobile handsets and other products such as modem and SIM cards averages between 17% and 22%. With respect to the sale of mobile handsets, among other goods, ICMS may be charged in a different tax regime, under which another taxpayer in the distribution chain of the goods (such as, for example, the manufacturer of the goods) is required to anticipate and pay ICMS amounts that would otherwise be due in other steps of the distribution chain. There is also an exception for certain handsets whose manufacturers are granted certain local tax benefits, thereby reducing the rate to as low as 7%.

ISS: ISS is a municipality tax with rates varying from 2% to 5%. Since January 2018, the tax incidence over certain (but not all) Value-Added Services has increased with the inclusion of those receivables within the ISS basis of calculation due to Law No. 157/2016.

COFINS: COFINS is a social contribution levied on gross revenues. Since 2000, companies began to pay COFINS tax on their bills at a rate of 3%. In December 2003, through Law No. 10,833, COFINS legislation was further amended, becoming a non-cumulative tax, raising the rate to 7.6% for most transactions. However, telecommunications services revenues, among others, continued subject to a cumulative basis at a rate of 3%. In 2015, Decree No. 8,426 came into effect, which restored COFINS on financial revenues at a rate of 4%, except for some types of financial revenues (for example, revenues from foreign exchange variations of exportation of goods and services, revenues resulting from foreign exchange fluctuations of obligations undertaken by the company, including loans and financing and revenues related to hedging transactions on stock exchange values, and revenues from commodities and futures exchanges or over-the-counter transactions and related to the Brazil Business Unit's operational activities). In December 2022, Decree No. 11,322/22 reduced by half the PIS and Cofins rates levied on financial income earned by companies subject to the non-cumulative regime. The COFINS rates changed from 4% to 2%. According to the Decree, the reduction would take effect from January 1, 2023. However, on January 2, 2023, it

was revoked by the newly elected Government, re-establishing the PIS and Cofins rates levied on financial income to its original values.

PIS: PIS is another social contribution levied at the rate of 0.65%, on gross revenues from telecommunications service activities. In 2002, Law No. 10,637 was enacted, making such contribution non-cumulative and increasing the rate to 1.65% on gross revenues, except in relation to telecommunications services, for which the method continued on a cumulative basis at a rate of 0.65%.

In 2015, Decree No. 8,426 came into effect, which restored PIS on financial revenues at a rate of 0.65%, except for some types of financial revenues (for example, revenues from foreign exchange variations of exportation of goods and services, revenues resulting from foreign exchange fluctuations of obligations undertaken by the company, including loans and financing and revenues related to hedging transactions on stock exchange values, and revenues from commodities and futures exchanges or over-the-counter transactions and related to the Brazil Business Unit's operational activities). As noted above, in December 2022, Decree No. 11,322/22 reduced by half the PIS and Cofins rates levied on financial income earned by companies subject to the non-cumulative regime. The PIS rates changed from 0.65% to 0.33%. According to the Decree, the reduction would take effect from January 1, 2023. However, on January 2, 2023, it was revoked by the new Government, re-establishing the PIS and Cofins rates levied on financial income to its original values.

FUST: In 2000, the Brazilian government created the *Fundo de Universalização dos Serviços de Telecomunicações,* a fund that is supported by a tax applicable to all telecommunications services. The purpose of the FUST is to stimulate the expansion, use and improvement of the quality of telecommunications networks and services, to reduce regional inequalities and to stimulate the use and development of new connectivity technologies in order to promote economic and social development. FUST tax is imposed at a 1% rate, levied on gross operating revenues, net of discounts, ICMS, PIS and COFINS, and the cost may not be passed on to clients. Telecommunication companies can draw from the FUST to meet the universal service targets required by Anatel.

In 2005, Anatel enacted Ordinance No. 7/05 requiring that FUST should be paid on revenues arising from interconnection charges since its effectiveness. A notice was issued deciding that companies part of the Brazil Business Unit must adjust values on the FUST calculation basis in order to include interconnection revenues received from other telecommunications companies. A writ of mandamus was filed against Anatel to avoid the terms of Ordinance No. 7/05. The first level decision was issued in the favor of companies part of the Brazil Business Unit's favor. Such decision was challenged by Anatel and the appeal confirmed the first level decision. Anatel appealed to High Courts in order to reverse the appeal.

In December 2020, Law No. 14,109 was approved with the purpose of stimulating the use of FUST to expand and improve the quality of telecommunications services, reducing regional inequalities and stimulating the use of new technologies to promote economic and social development. In the case of using FUST's resources, the law requires the connection of all public schools by 2024 with broadband internet access. The law also provided 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 their own resources. This requirement remains in force until December 2016, but it may be further renewed.

In the first quarter of 2022, the Federal Government signed Decree 11,004/2022, which regulates the use of FUST and establishes directions for the use of resources by the Management Board, established in 2022.

FUNTTEL: In 2000, the Brazilian government created the *Fundo para Desenvolvimento Tecnológico das Telecomunicações* ("**FUNTTEL**"), a fund that is supported by, among other sources of income, a contribution tax applicable to all telecommunications companies. FUNTTEL is a fund managed by BNDES and FINEP, government research and development agencies. The purpose of FUNTTEL is to promote the development of telecommunications technology in Brazil and to improve competition in the industry by financing research and development in the area of telecommunications technology. FUNTTEL tax is imposed at a rate of 0.5% on gross operating revenues, net of discount, ICMS, PIS and COFINS, and it cost may not be passed on to clients.

FISTEL: Fundo de Fiscalização das Telecomunicações ("**FISTEL**"), is a fund supported by among other sources a tax applicable to telecommunications services, which was established in 1966 to provide financial resources to the

Brazilian government for its regulation and inspection of the sector. Such tax consists of: (1) an installation inspection fee assessed on telecommunications stations upon the issuance of their authorization certificates, as well as every time a new mobile number is activated, and (2) an annual operations inspection fee that is based on the number of authorized stations in operation, as well as the total basis of mobile numbers at the end of the previous calendar year. The amount of the installation inspection fee is a fixed value, depending on the kind of equipment installed in the authorized telecommunication station.

Effective in 2001, the installation and inspection fee is assessed based on net activations of mobile numbers (that is, the number of new mobile activations reduced by the number of cancelled subscriptions), as well as based on the net additions of radio base stations. The operations inspection fee equals 33% of the total amount of installation inspection fees that would have been paid with respect to existing equipment. The public funds raised from this installation fee are appropriated to either the Brazilian Communication Company ("**EBC**"), or the Brazilian National Cinema Agency (*Agência Nacional do Cinema*) ("**ANCINE**"), in order to benefit Brazilian cinema industry. Also, Anatel charges the installation inspection fee when there is an extension of the term of validity of the right to use radio frequencies associated with the operation of the personal mobile service. The Brazil Business Unit understands that such collection is unjustified and is challenging this rate in court.

In December 2020, Law No. 14,108 was sanctioned and exempts FISTEL for 5 (five) years 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. The Brazilian government also laid out in the budget law for 2021 a tax exemption forecast of FISTEL value. Additionally, in June 2021, Law No. 14,173 was approved, lowering the FISTEL fees on VSATs from BRL 201.12 to BRL 26.83.

Corporate Income Tax and Social Contribution on Net Income: Income tax expense is a combination of two different types of taxes, the corporate income tax, or IRPJ, and the social contribution tax on net income, or CSLL. The corporate income tax is payable at the rate of 15% plus an additional rate of 10% (levied on the part of taxable profits that exceed BRL 0.02 million per month or BRL 0.24 million per year). The social contribution tax is currently assessed at a rate of 9% of adjusted net income.

The rules for deductibility of goodwill were maintained for transactions which occurred prior to the end of 2017. The tax treatment by TIM Celular (now TIM S.A.) of the goodwill arising from the purchase of the companies AES Atimus SP and RJ was not impacted by the new rules.

Regarding dividends, Law No. 12,973 ensured the full and unconditional exemption on payment or credit of profits or dividends earned between 2008 and 2013, previously paid or not. Uncertainty remained, however, in relation to exemption on profits and dividends generated in the calendar year 2014, if higher than the taxable income in the same period in the case of companies that do not opt for early adoption of the new post-RTT tax regime that year. According to the Federal tax authorities the exception is not applicable to the excess amount, or in other words, to the profits and dividends paid in excess of the taxable income.

Dividends are not subject to withholding income tax when paid. However, as the payment of dividends is not tax deductible for the company that is distributing them, there is an alternative regime for stockholder compensation called "interest on equity," which allows companies to deduct any interest paid to stockholders from net profits for tax purposes.

These distributions may be paid in cash. The interest is calculated in accordance with daily pro rata variation of the Brazilian government's long-term interest rate ("**TJLP**"), as determined by the Central Bank from time to time, and cannot exceed the greater of: (1) 50% of the net income (before taxes and already considering the deduction of the own interest amount attributable to stockholders) related to the period in respect of which the payment is made; or (2) 50% of the sum retained profits and profits reserves as of the date of the beginning of the period in respect of which the payment is made.

Any payment of interest to stockholders is subject to withholding income tax at the rate of 15% (or 12.5% for some jurisdictions, as provided in certain Double Taxation Treaties), or 25% in the case of a stockholder domiciled in a low or nil tax jurisdiction. These payments may be qualified, at their net value, as part of any mandatory dividend. As described herein, TIM Brasil Serviços e Participações S.A. and its subsidiaries paid interest on equity in 2021.

Tax losses carried forward are available for offset during any year up to 30.0% of annual taxable income. No time limit is currently imposed on the application of net operating losses on a given tax year to offset future taxable income within the same tax year, nevertheless there is no monetary restatement.

Companies are taxed based on their worldwide income rather than on income produced solely in Brazil. As a result, profits, capital gains and other income obtained abroad by Brazilian entities are added to their net profits for tax purposes. Therefore, profits, capital gains and other income obtained by foreign branches or income obtained from subsidiaries or foreign corporations controlled by a Brazilian entity are computed in the calculation of an entity's profits, in proportion to its participation in such foreign companies' capital.

In the end of 2017, the *Receita Federal* ("**RFB**") issued Normative Instruction No. 1,771/2017 in order to determine the tax treatment due to the accounting CPC 47 – Customer Contract Revenue, which tax treatment went into effect in 2018.

Income tax and social contribution were regulated by Decree 580/2018 and Normative Instruction RFB No. 1,700/2017 in addition to other federal laws and decrees. In December 2018, this decree was revoked and replaced by Decree No. 9,580, which consolidates the main provisions related to income tax and social contribution. As of the date hereof, no relevant impacts to the Company were identified regarding such changes.

Anatel Administrative Proceedings

Under the terms of its PCS authorization, TIM Celular (now TIM S.A.) implemented mobile personal telecommunications coverage for the assigned area. Under such term of authorization, TIM Celular (now TIM S.A.) is required to operate in accordance with the quality standards established by Anatel. If it fails to meet the minimum quality standards required, TIM Celular (now TIM S.A.) is subject to Obligation Non-Compliance Determination Procedures, or PADO, and applicable penalties. Anatel has brought administrative proceedings against the TIM Group, which are currently pending for (1) noncompliance with certain quality service indicators (the quality management regulation, or RGQ, and/or RQUAL); and (2) default of certain other obligations assumed under the Terms of Authorization and pertinent regulations. In its defense before Anatel, the TIM Group attributed the lack of compliance to items beyond its control and not related to its activities and actions. The Brazil Business Unit cannot predict the outcome of these proceedings at this time, but have accrued the amount in its balance sheet as a provision for all those cases in which the Brazil Business Unit estimates its loss to be probable.

NETCO REGULATION

NetCo's operations are subject to EU and Italian electronic communications regulations, general competition law and a variety of other regulations, including privacy and security-related regulations. This section summarizes the key areas of such regulatory frameworks and considers the effect and implications of the Transactions.

The EU Electronic Communications Regulatory Framework

Overview

The EU electronic communications regulatory framework is the basis for the national electronic communications laws in all Member States in the EU ("**Member States**"), including Italy where NetCo operates. The Member States are required to transpose directives issued by the EU Council and Parliament into national legislation, while the regulations issued by the same EU institutions are binding for any Member State without the need for their transposition into national law. Additionally, EU recommendations suggest certain actions and good practices although they do not have any binding effect on the operators active in the different Member States. The EU electronic communications regulatory framework contains provisions on the execution of sectoral activities of national telecommunications providers and sets out general rules applicable to all providers of electronic communication networks and services, as well as specific regulatory obligations that may be imposed by the national regulatory authorities ("**NRAs**"). In all Member States NRAs are independent bodies that are tasked with regulating and supervising the electronic communications sector and ensuring compliance with the EU electronic communications regulatory framework in each Member State.

Directive (EU) 2018/1972 establishing the European Electronic Communication Code ("**EECC**") entered into force on December 20, 2018, and is applicable to TIM Group's operations since its implementation through Italian Legislative Decree of November 8, 2021, No. 207. Article 125 of the EECC expands the scope of the objectives and regulatory tools of the repealed EU Directives issued in 2002 and amended in 2009 (the so-called "**Telecom Package**"). The EECC includes a comprehensive set of measures related to: (i) wholesale-only operators and innovative regulatory models applicable for investments in VHCN, (ii) new rules on spectrum, such as minimum licence duration to improve investment return, (iii) regulation of services, including the introduction of an improved level playing field between telecom operators and new operators of communications ecosystems such as Over-the-Top ("**OTT**"), and (iv) a revised scope of Universal Service Obligation ("**USO**") for the benefit of users with low income or special social needs with a view to pursue adequate broadband internet access service as well as voice communications services at a fixed location.

The regulatory framework is also supplemented by EU Directive 2014/61/EU ("**Broadband Cost Reduction Directive**") that aims to facilitate and promote the roll-out of high-speed electronic communications networks (ECN) (i.e. fast broadband internet with speeds above 30 Mbps) in the EU. This objective is pursued by promoting the reuse of existing physical infrastructure, creating the conditions for coordinating civil works and more efficiently installing new physical infrastructure, equipping newly constructed and majorly renovated buildings with physical infrastructure; and streamlining the procedures for granting permits for civil works. Under the Broadband Cost Reduction Directive Member States must ensure that network operators (telecoms, as well as energy, transport and water) give telecoms operators access to their physical infrastructure and network operators are required to give access to their physical infrastructure, on reasonable terms and conditions, including price.

On February 23, 2023, the European Commission put forward a legislative proposal for a new Regulation (the "**Gigabit Infrastructure Act**") on measures to reduce the cost of deploying gigabit electronic communications networks and repealing the Broadband Cost Reduction Directive, with the aim of setting new rules to enable faster, cheaper and more effective rollout of Gigabit networks, including 5G across the EU. On February 6, 2024, the Council and the EU Parliament reached a provisional agreement on the proposed text.

Regulation (EU) 2018/1971 of the European Parliament and the Council entered into force on December 20, 2018 and it has repealed Regulation (EC) 1211/2009 and amended Regulation (EU) 2015/2120 ("**BEREC Regulation**"). The BEREC Regulation established the Body of European Regulators for Electronic Communications ("**BEREC**") and the Agency for Support for BEREC (the "**BEREC Office**"). BEREC acts as a forum for cooperation among each Member State's NRA and between the NRAs and the European Commission.

The European Commission's Recommendation EU 2020/2245 of December 18, 2020 on relevant product and service markets susceptible to *ex ante* regulation, identifies those products and service markets in which *ex ante* regulation may be justified. In alignment with the objectives of the EU electronic communications regulatory framework to progressively reduce *ex ante* sector-specific rules as competition in the markets develops and, ultimately, to ensure that electronic communications markets are governed only by competition laws, the number of relevant markets in which imposition of *ex ante* regulation may be justified has been significantly reduced since the first Commission's Recommendation issued in 2003. By applying the three criteria test from Articles 67(1)(a), (b) and (c) of the EECC, the European Commission has identified (i) the wholesale local access provided at a fixed location market and (ii) the wholesale dedicated capacity market, as the product and service markets in which *ex ante* regulation may still be justified.

In September 2016, through its Connectivity for a Competitive–Digital Single Market - Towards a European Gigabit Society Communication (COM/2016/587 final, the "**Gigabit Society Communication**"), the European Commission has set out a vision for connectivity in the EU over the following decade that includes growth of the high capacity networks, and has established specific strategic objectives to be achieved by 2025. Such objectives include, among others:

- 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; and

- access to internet connectivity offering a downlink with a speed of at least 100 Mbps, upgradable to gigabit speed for all European rural and urban households.

Additionally, in order to achieve a successful digital transformation of Europe by 2030, the European Commission has adopted the 2030 Digital Compass: the European way for the Digital Decade (COM/2021/118 final) ("**Digital Compass**") setting forth the initiative for a creation of a set of digital principles and a legislative proposal that would include a governance framework to monitor the progress of the envisioned digital transformation. The Digital Compass includes the following aims:

- *Skills*: securing that at least 80% of all adults possess basic digital skills and that there are 20 million ICT specialists hired in the EU, with predominantly women taking up such jobs;

- *Infrastructure*: putting in place a secure, functional and sustainable digital infrastructures that would include (i) gigabit connectivity for all EU households and 5G coverage for all populated areas, (ii) cutting-edge and sustainable semiconductors (including processors) with at least 20% of the world's production originating from Europe, (iii) a 10,000 climate-neutral highly secure edge nodes and (iv) the development of the first quantum computer in Europe by 2025;

- *Business*: (i) having three out of four companies using cloud computing services, big data and artificial intelligence, (ii) having more than 90% small and medium size businesses reaching at least a basic level of digital intensity, and (iii) doubling the number of EU unicorns; and

- *Government*: digitalization of public services that would ensure an online availability of all key public services and e-medical records accessible to all citizens, with 80% of citizens using a digital ID solution.

The related Decision (EU) 2022/2481 establishing the Digital Decade Policy Programme (the "**Policy Programme**") was published in OJEU on December 19, 2022. The Policy Programme introduces a novel form of governance based on cooperation between the Member States and the European Commission to ensure that Member States pool their resources and ultimately jointly achieve the envisioned EU digital transformation.

Commission implementing Decision (EU) 2023/1353 of June 30, 2023 sets out key performance indicators to measure the progress towards the digital targets. On September 27, 2023, the Commission adopted the Communication C(2023) 7500 final establishing Union-level projected trajectories for the digital targets and published the first report on the State of the Digital Decade.

On December 12, 2022, the European Commission adopted the revised Communication on State aid for broadband networks (the "**Broadband State Aid Guidelines**"), used by the European Commission primarily when it assesses the allocation of state aid for the deployment of fixed and mobile broadband networks and the take-up of available broadband services to support the digital transition, also ensuring its minimal impact on competition.

On February 23, 2023, the European Commission presented a set of actions aimed to make Gigabit connectivity available to all citizens and businesses across the EU by 2030, in line with the objectives of Europe's Digital Decade, and to enable the transformation of the connectivity sector in the EU. Beyond the aforementioned proposal for a Gigabit Infrastructure Act, this so called "connectivity package" includes:

- A Recommendation, addressed to the Member States' NRAs, on the regulatory promotion of Gigabit connectivity (European Commission Recommendation C(2024) 523, the "**Gigabit Recommendation**") was adopted on February 6, 2024, providing guidance to NRAs on how to design access obligations on operators designated as having SMP on the market for wholesale local access provided at a fixed location and promoting their consistent and effective implementation with regard to legacy networks and VHCNs. In particular, the Gigabit Recommendation further details the conditions under which the national regulatory authority should, according to the EECC, not impose or maintain regulated wholesale access prices on VHCN wholesale inputs. The Recommendation also indicates how National Regulation Authorities can smoothly conduct the migration from copper to fibre. It replaces the Commission Recommendation 2010/572/EU of September 20, 2010 on regulated access to Next Generation Access Networks (NGA) and the Commission Recommendation 2013/466/EU of September 11, 2013 on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment.

- An exploratory consultation on the future of the connectivity sector and its infrastructure, to gather views on how increasing demands for connectivity and technological advances may affect the future developments and needs, including on the potential need for all players benefitting from the digital transformation to fairly contribute to the investments in connectivity infrastructure. Based on the outcome of the consultation, on February 21, 2024, the European Commission presented a set of possible actions to foster the innovation, security and resilience of digital infrastructures and opened a public consultation, until June 30, 2024, aimed at achieving a consensus on:

    - The White Paper on "How to master Europe's digital infrastructure need?" that analyzes the challenges Europe currently faces in the rollout of future connectivity networks, and presents possible scenarios to attract investments, foster innovation, increase security, and achieve a true Digital Single Market.

    - The Recommendation on the security and resilience of submarine cable infrastructures, that presents a set of actions at national and EU level aimed at improving submarine cable security and resilience, through a better coordination across the EU, both in terms of governance and funding.

Some of the key areas of the EU telecommunication regulatory framework which apply to the NetCo's operations upon successful completion of the Transactions are discussed in more detail below.

Net Neutrality

Net neutrality is a principle providing that there should be no restriction on an individual's access to the networks making up the infrastructure of the internet and that any discrimination, restriction, or interference between the types and sources of data conveyed across such networks should be eliminated, irrespective of the sender and receiver, the content accessed or distributed, and the applications or services used or provided. Regulation (EU) 2015/2120 laying down measures concerning open internet access (the "**TSM Regulation**") provides new rules on net neutrality. In particular, TSM Regulation:

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

- allows the implementation by providers of internet access services of reasonable, transparent, non-discriminatory and proportionate traffic management measures aimed at improving quality of the network based on objectively different technical quality of service requirements for specific categories of traffic; such measures shall not be based on commercial considerations but on objectively different technical quality of service requirements of specific categories of traffic and shall not monitor the specific content and shall not be maintained for longer than necessary;

- allows operators to offer services, excluding internet access services, optimized for specific content, applications or services subject to the network capacity and unobstructed availability and quality of internet access services for end-users;

- allows end users to agree with providers of internet access services on tariffs for specific data volumes and speeds of the internet access services. Such commercial practices should not limit the exercise of end users' rights and are subject to monitoring by the NRAs. Additionally, contrary to BEREC's and NRA's previous indications, the European Court of Justice rulings in September 2021 established that zero rating infringes the Net Neutrality rules and is not allowed.

  Zero-rating (also called toll-free data or sponsored data) is the practice of mobile network operators ("**MNOs**"), MVNOs, and internet service providers 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 were 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.

- places further transparency obligations for ensuring open internet access on providers of internet access services in addition to those already included in the electronic communications regulatory framework.

Privacy and Data Protection

GDPR has been directly applicable in all EU Member States since May 25, 2018. The purpose of GDPR is to provide for the protection of the individual's right to privacy with respect to the processing of personal data, while allowing a certain degree of flexibility for service providers to process such personal data. As such, GDPR significantly changes the EU and EEA data protection landscape, including strengthening of individuals' rights, stricter requirements on companies processing personal data and stricter sanctions with substantial administrative fines for breaching GDPR of up to 4% of an annual turnover. NetCo has put in place a specific project to carry out all the activities needed to ensure its compliance with the rules introduced by GDPR.

Additionally, NetCo's operations are subject to the complimentary sectorial rules under Directive 2002/58/EC (the "**e-Privacy Directive**") implemented into Italian law on June 30, 2003, which imposes additional limitations on the data processing by the electronic communications services operators. Currently, this directive is under review by the European Commission and the regulatory proposal foresees fines for non-compliance with the rules thereunder that are equal to those for breaches of GDPR. For further information, please see "*Risk Factors— Risks Related to NetCo's Legislative and Legal Framework— NetCo's activities could be materially negatively affected by failure to comply with GDPR and Italian Privacy Code.*"

Security

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

NIS2 envisages 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 EECC) and on the other hand extending the rules to new subjects (e.g., data centers, CDNs, etc.).

While NIS2 confirms the obligation to adopt security measures that are proportionate to the risk, it introduces a series of minimum requirements, including with regard to supply chain security management, and it revises the mandatory notification procedure for cyber incidents.

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

Data Act

Following publication in the Official Journal on December 22, 2023, the Data Act, a European Regulation that introduces harmonized rules on fair access to data and its use, entered into force on January 11, 2024 and will be directly applicable starting from September 12, 2025.

The Data Act covers several areas, among which:

- Business to Business. The aim is to ensure fairness in the allocation of the value of data generated by connected devices among actors in the data economy. The Data Act provides for a shared right in the use of data between the manufacturer and the user of connected devices, allowing the latter to access – without undue delay and free of charge – the data generated by the device and to share such data with third parties to provide after-sales services or other innovative services based on them.

  However, the Data Act provides that the circulation of data between companies may require the payment of a reasonable and non-discriminatory price, which includes the cost of making it available and the investments made for the collection and production of such data.

  The Data Act also recognizes that some data may represent trade secrets, the circulation of which would harm companies' interests and proprietary rights. The text of the Regulation has therefore introduced a series of provisions aimed at protecting such information.

- Business to Government. The Regulation also aims at enabling the access by public sector bodies to data held by the private sector in emergency situations, such as health emergencies or serious natural disasters, and in other exceptional cases, where it is not possible to find the data on the market and the lack of such data prevents the public entity from carrying out a specific task of public interest provided for by law. Data sharing in emergency situations must be carried out free of charge, while in the remaining exceptional cases private entities will be entitled to reasonable compensation.

The Italian Regulatory Framework

Overview

The electronic communications regulatory framework applicable to NetCo's operations in Italy, is based primarily on the Electronic Communications Code, i.e. Legislative Decree No. 259/2003, as amended by Legislative Decree No. 207 ("**ECC**") that entered into force on December 24, 2021. By implementing this latest amendment, Italy has transposed the EECC into Italian national law.

Another law affecting NetCo's business, related to consumer, data and security protection and specific aspects of the communication sector is the Decree Law No. 76/2020, converted by Law No. 120/2020, and Decree Law No. 77/2021, converted by Law no. 108/2021 (also known as "*Decreti Semplificazioni*"). Especially the latter piece of law contains important simplification measures to speed up the completion of both 5G and the ultrabroadband fiber optic networks in Italy. Furthermore, Decree-Law No. 36/2022 (also known as NRRP 2 Decree), converted by Law No. 29 of June 2022, which introduces measures in the ECC, namely simplified authorization measures for mobile network development, and Decree-Law no. 13/2023 (also known as NRRP 3 Decree) converted by Law No. 41/2023, which introduces other important simplification measures in the authorization process, with the aim of fostering the development of fixed and mobile ultrabroadband.

The telecommunications sector in Italy is primarily supervised by AGCOM, Italy's NRA for the communications sector. The key duties of AGCOM consist of ensuring fair market competition and protecting fundamental rights of

all users of electronic communication networks and services and, more generally, all citizens, also extending to different functions related to the communications sector. Additional powers related to the electronic communications sector were granted to AGCOM by the Italian Decree Law No. 119/2018 dated December 18, 2018, that also amended the ECC with a view to foster investment in ultra broadband networks. Such AGCOM's powers include defining adequate measures of investment remuneration to incentivize the merger of different access networks placed under the control of a non-vertically integrated subject offering only wholesale network services. Governmental responsibility for electronic communication networks and services in Italy lies with the Ministry of the Enterprises and Made in Italy, having a principal responsibility related to the national broadband plan, spectrum and numbering management as well as integrity and security of the networks.

On May 12, 2023, the Ministry of Enterprises and Made in Italy launched a public consultation on the draft Legislative Decree amending the Electronic Communications Code. The consultation was primarily aimed at providers of electronic communications networks and services. Its purpose was to gather market input and comments on the implementation of the new sector legislation one year after the entry into force of the ECC, in line with the objectives of Directive (EU) 2018/1972 set out in the Digital Single Market Strategy for Europe. The consultation was closed on June 15, 2023.

Following the market consultation, the Council of Ministers approved a Legislative Decree on December 18, 2023, as part of a preliminary examination, which provides for corrections to Legislative Decree No. 207 of November 8, 2021. The text, which was sent to Parliament on December 22, 2023 for the necessary opinion, and which will be returned to the Council of Ministers for final approval, updates the current provisions, adapting them to technological developments in the field of electronic communication services (5G connection) with particular regard to the innovation and implementation of digital infrastructures (repeaters for 5G connections; fiber optic cables) supported by the NRRP. In addition, the revision makes corrections to procedural provisions in order to simplify and shorten bureaucratic procedures.

Market Analysis

The Italian regulatory framework requires AGCOM, in its role as Italian NRA, to carry out periodic market analyses according to the specific EU guidelines before imposing any obligations on any individual operator with an SMP. Such market analysis sets the rules for a period of up to five years. In such context, AGCOM may impose *ex ante* obligations on an operator with SMP when a specific market is found to have three characteristics: (i) high and non-transitory structural, legal or regulatory barriers to entry; (ii) a market structure which does not tend towards effective competition within the relevant time horizon, having regard to the state of infrastructure-based competition and other sources of competition behind the barriers to entry; and (iii) competition law alone is insufficient to adequately address the identified market failures.

In both cases, pursuant to Article 79 of the ECC, AGCOM must impose, based on proportionality principle, one or more of the following obligations on an operator with SMP:

(a) the obligation to make public specific information, such as those relating to accounting, prices, technical specifications, network characteristics, or terms and conditions (*transparency obligation*);

(b) the obligation to ensure equivalent conditions in equivalent circumstances to other providers of equivalent services, as well as same conditions and quality as provided for its own services (*non-discrimination obligation*). Such obligation may include the so-called replicability test (i.e. the obligation, for a vertically integrated operator, to set prices in the retail market that can be replicated by an efficient operator);

(c) the obligation to keep separate accounts in relation to specified activities related to interconnection or access (*accounting separation obligation*);

(d) the obligation to meet reasonable requests by competitors for access to civil engineering, as well as access to, and use of, specific network elements and associated facilities at fair terms (*access obligation*);

(e) the obligation to apply cost-oriented prices and cost accounting (*cost-orientation obligation*). The cost-oriented model currently used by AGCOM for wholesale access markets, upon recommendation of the

European Commission, is the bottom-up, long run, incremental, cost-plus methodology ("**BU-LRIC+**"). The BU-LRIC+ models the incremental capital (including sunk capital) and operating costs borne by a hypothetically efficient operator in providing all access services, and adds a mark-up for recovery of common costs. The full costs are calculated on a forward-looking basis (i.e. based on up-to-date technologies, maintenance, total accesses, etc.) that an efficient network operator would incur to build a modern network able to provide all required services. To determine the final price, the BU-LRIC+ methodology also considers the cost of capital invested, to allow an efficient rate of return on capital employed usually through the weighted average cost of capital ("**WACC**") and, if justified, the application of a risk premium.

Co-investment Offer in a VHC network

Article 76 of EECC provides for an innovative deregulation regime for very high-capacity fiber networks deployed by an operator with SMP in the context of a co-investment offer ("**CIO**"). In particular, if: (i) the commitments proposed by the operator with SMP through the CIO are deemed by AGCOM to meet certain competitive requirements by AGCOM set forth in Article 76 of the EECC; and (ii) at least one potential co-investor has joined the CIO, then AGCOM does not impose any of the obligations provided for by Article 79 of the EECC for operators with SMP.

On January 29, 2021, TIM notified AGCOM of a CIO pursuant to Articles 76 and 79 of the EECC related to the construction of a new fiber network. The CIO was subsequently amended and integrated by TIM in March, April, June, and December 2021, in accordance with the indications provided by AGCOM in its "*Preliminary Conclusions*" issued at the end of the market test that was commenced by AGCOM's Resolution 110/21/CONS. On May 16, 2022, AGCOM sent a draft of the notification related to the CIO to the European Commission (case IT-2022-2375). However, on June 7, 2022 AGCOM withdrew the notification following TIM's notification of an indexation mechanism to the price inflation related to the CIO, pointing to a recent, unforeseen, and significant increase in inflation. The indexation mechanism was subsequently amended by TIM in July, September, and October 2022 on the basis of indications provided by AGCOM. By its Resolution 385/22/CONS published on November 7, 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 CIO from 2023. The revised version of the CIO, as requested by AGCOM, also *provided* that the economic conditions for 2021 would be applicable to co-investors joining by April 2023. On February 9, 2023, the Authority communicated to TIM its preliminary conclusions requiring a revision of the price indexation model of the co-investment offer. On December 6, 2023, AGCOM invited TIM to submit such new offer, stating that further inactivity would be deemed by AGCOM as an express decision by TIM not to proceed with the CIO. Following a communication sent by TIM on December 15, 2023, in which TIM declared that AGCOM's requests on the indexation mechanism could not be met and that the CIO would therefore be removed from TIM's website, AGCOM published Resolution 339/23/CONS, declaring that TIM's CIO, in its latest version, was not approved.

Delayering of vertically integrated operators

Pursuant to Article 89 of the ECC, an operator with SMP must inform AGCOM at least 90 days ahead of any intended transfer of their network assets to a separate legal entity under different ownership, or the establishment of a separate business entity to provide all retail providers with fully equivalent access products (*separazione volontaria da parte di un'impresa verticalmente integrata*). In such event, AGCOM shall conduct a specific market analysis to assess the effect on the relevant markets and therefore impose, maintain, amend, or withdraw *ex ante* obligations.

In November 2020, AGCOM concluded the preliminary assessment of TIM's voluntary separation project for the creation of a newco, FiberCop, controlled by the TIM Group and owned through minority shareholdings also by KKR Infrastructure Fund and Fastweb, which, on March 31, 2021, acquired the secondary copper and fiber access network owned by the TIM Group and Flash Fiber (the joint venture entity created together with Fastweb back in 2016 and merged into FiberCop in the context of the abovementioned transaction completed on March 31, 32021).

With Resolution No 637/20/CONS, published in December 2020, AGCOM launched the public consultation on the voluntary separation project of the TIM Group's fixed access network, the outcome of which was published in October 2021 with Resolution No. 253/21/CONS. However, on July 7, 2022, the TIM Group communicated to AGCOM that the delayering plan envisaged as part of the Transactions would supersede the original voluntary separation project to which the public consultation referred.

On January 19, 2024, TIM notified AGCOM of its intention to proceed with a delayering project, consisting in the Transactions, pursuant to Article 89 of the ECC, aiming among other to obtain recognition by AGCOM of NetCo's status as a wholesale-only operator. See also "*Risk Factors—Risk related to the business activity and industries of NetCo—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business*," and "*Risk Factors—Risks Related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*."

Wholesale-only operators

Pursuant to Article 91 of the ECC, when an operator absent from any retail market for electronic communications services (also as a result of the delayering of a vertically integrated operator) is designated by AGCOM as having SMP in one or more wholesale markets, the "wholesale-only" regime applies to such operator in the event that AGCOM acknowledges the presence of two elements: (i) none of the companies or business units within the operator or controlled by the operator, nor any shareholder having control over the operator, have activities in any retail market for electronic communications services provided to end-users within the EU; and (ii) the operator is not bound to deal with a single and separate operator in the retail market for electronic communication services provided to end-users due to an exclusive/*de facto* exclusive agreement.

The wholesale-only regime provides that AGCOM, if justified in the context of the Market Analyses, may impose on the relevant wholesale-only operator with SMP the obligations relating to non-discrimination, accounting separation, and access, as well as the obligation to apply fair and reasonable pricing (excluding, in principle, cost-orientation obligations). In this regard, the successful overcoming of vertical integration and the potential acknowledgment by AGCOM, in the context of the Market Analyses, of NetCo's status as a wholesale-only operator are expected to lead to NetCo ceasing to be subject, among other things, to the applicability of cost-orientation obligations. See "*Risk Factors—Risk related to the business activity and industries of NetCo—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business," and "Risk Factors—Risks Related to the TIM Group—Risks related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*."

The following sections summarize the key areas of the Italian markets that have been scrutinized by AGCOM to assess competition conditions, along with the recent developments concerning the electronic communications market, as well as the main obligations imposed by AGCOM on the TIM Group with the latest Market Analyses.

Wholesale Fixed Access Markets

AGCOM's Resolution 348/19/CONS published on August 8, 2019 sets the obligations and economic conditions for wholesale access services for the period from 2018 to 2021. With reference to the most important geographic issues under the market analysis, AGCOM has taken the following major decisions:

- confirmation of TIM's status as an SMP operator in the wholesale local access provided at a fixed location market ("**Market 3a**"), and wholesale central access provided at a fixed location for mass-market products market ("**Market 3b**") in Italy with the exclusion of the city of Milan, where the *ex ante* regulation has been entirely withdrawn;
- confirmation, as a consequence, of the following obligations on TIM in both Market 3a and Market 3b:
    - the obligation to provide access to and use of certain of TIM's network elements (in particular, LLU and SLU wholesale local access to copper network, wholesale local access to fiber network, wholesale Bitstream access to ethernet, copper and fiber network,

multicast access, access to FWA network in decommissioning areas – if adopted by TIM to complete NGA coverage of MDF areas – and disaggregation of LLU, SLU and VULA FTTC provisioning and assurance activities);

- transparency obligations in relation to wholesale access services to copper and fiber network. In particular, obligation to: (i) publish an annual Reference Offer in relation to certain copper, fiber and FWA networks' services, to be approved by AGCOM; (ii) provide information on sites and infrastructures where wholesale local access is available; and (iii) publish on its website news relating to the deployment of any new fiber access infrastructure;

- non-discrimination obligations, both in relation to the obligation to ensure equivalent conditions in equivalent circumstances to other providers of equivalent services, as well as same conditions (including price) and quality (including technology) as provided for its own services (AGCOM confirmed the equivalence model provided for in Resolution 652/16/CONS) and also in relation to the obligation to submit retail offers ahead of their launch for AGCOM's replicability test;

- accounting separation obligations for each of the services provided under the relevant markets, with identification of the prices applied to OAO for wholesale access and those relating to the transfer charge (i.e. prices applied to internal transfers); and

- cost-orientation obligations, with application of the BU-LRIC^{+} model for the relevant wholesale access prices. However, in 26 municipalities considered "*contestable*," AGCOM withdrew the cost-orientation obligation for copper and NGA bitstream services (Market 3b) and gave the possibility to apply VULA prices lower than the average national amount starting from 2021, subject to AGCOM acknowledging an adequate competition level of alternative networks and a significant FTTH take-up in 2020 with a target threshold that was set by decision 12/21/CONS, but it was not met in June 2021 (Resolution 42/22/CONS). The list of "contestable" municipalities has been then updated achieving a total number of 43 municipalities for year 2022 (as defined through Resolution 385/21/CONS) and 55 municipalities for year 2023 (Resolution 41/23/CONS).

With Resolution No 637/20/CONS, published in December 2020, AGCOM started a new coordinated analysis of the markets for fixed network access services pursuant to Article 50-ter of the ECC (now Article 89). The new market analysis procedure, which is still ongoing after having been extended by AGCOM's Resolutions nos. 412/21/CONS of December 21, 2021, and 152/23/CONS of June 21, 2023, will update the regulatory framework for the markets for wholesale fixed network access services based on changed competitive conditions and new European regulatory framework. In this regard, with Resolution 152/23/CONS, AGCOM called a public consultation concerning a scheme for a new market analysis aimed at regulating the period 2024-2028. The said scheme envisages the following major proposals:

- confirmation of the TIM's status as an SMP operator in Market 1 (wholesale local access provided at a fixed location market in Italy) with the exclusion of the cities of Milan and Cagliari, where the *ex ante* regulation has been entirely withdrawn;

- confirmation of the obligations imposed on TIM in the Market 1 with Resolution 348/19/CONS, with the following amendments: (i) removal of the obligation to provide WLR services and DSLAM access; (ii) application of the disaggregation model already used on copper services to certain new fiber services (VULA FTTH and semi-GPON); (iii) extension of the full equivalence regime to the obligation to provide access to civil engineering; (iv) new fiber access obligations such as semi-GPON and full GPON access; (v) extension of the ex ante replicability test to flagship offers; and (vi) withdrawal of the cost-orientation obligation for VULA (FTTC and FTTH), semi-VULA, full-GPON and semi-GPON in 59 municipalities considered "*contestable*," where prices will be subject to fairness and reasonableness principles; and

- withdrawal of *ex ante* regulation in Market 3b (wholesale central access provided at a fixed location for mass-market products market).

However, since, at the time the said scheme was published, the Transactions had not yet been notified to AGCOM in their details, such scheme does not take into account the envisaged effects of the successful completion of the Transactions. See "*Risk Factors—Risk related to NetCo's Business Activity and Industry—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business,*" and "*Risk Factors—Risks Related to NetCo's Business Activity and Industry—The implementation of the Transactions may be complex and there can be no assurance that NetCo will be able to deliver any or all of the related expected benefits of the Transactions from a regulatory perspective*."

2022 and 2023 prices for wholesale fixed network access services

By its Resolution 337/22/CONS, subsequently supplemented with Resolution 388/22/CONS, AGCOM opened a public consultation on the prices for the period from 2022 to 2023 for wholesale access services to the fixed network of copper and fiber network offered by TIM and FiberCop. As clarified by AGCOM, the definition of the abovementioned prices for 2022 and 2023 is necessary in order to ensure, pending the completion of the coordinated analysis of the access markets launched by Resolution 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 and comments of the European Commission on the draft decision, by its Resolution 132/23/CONS, AGCOM approved the following 2023 fees of the main wholesale access services compared to the values approved for 2021.

	Fees (€)		Variations
Services	**2023**	**2021-2022**	**(2023 vs 2021)**
LLU	9.91	8.90	+11.3%
SLU	5.89	5.30	+11.1%
FTTC VULA	13.07	12.50	+4.6%
Dark fiber in primary access network – 15 years IRU	1,874.38	2,484.53	-24.6%
Dark fiber in secondary access network – 15 years IRU	1,314.72	1,563.21	-15.9%
FTTH VULA	14.26	15.35 (2021) 14.84 (2022)	-7.1%
Fiber in-house wiring	2.50	2.80	-10.7%
Copper in-house wiring	0.51	0.47	+8.5%

Source: AGCOM – Resolution 132/23/CONS published on June 9, 2023

This decision reduces the differential between wholesale access prices in fiber 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 copper networks to new fiber networks. It is in some ways a historical decision that reverses a ten-year trend of reduction: it had been ten years since AGCOM had adjusted copper and FTTC rates upwards, pursuing a policy of maintaining or reducing tariffs.

In the scheme for a new Market Analysis published by AGCOM on June 21, 2023, AGCOM proposed, among others, the following fees of the main wholesale access services for years 2024-2028:

	Fees (€)				
Services	**2023**	**2025**	**2026**	**2027**	**2028**
LLU	10.26	10.44	10.65	10.87	11.16
SLU	7.24	7.37	7.52	7.69	7.90
FTTC VULA	13.07	13.18	13.40	13.74	14.18
Dark fiber in primary access network – 15 years IRU	1,889.38	1,905.02	1,920.33	1,935.65	1,950.97
Dark fiber in secondary access network – 15 years IRU	1,346.67	1,378.63	1,410.58	1,442.53	1,474.49
FTTH VULA	14.24	14.23	14.21	14.19	14.18
Fiber in-house wiring	2.45	2.39	2.34	2.29	2.23

Copper in-house wiring	0.63	0.63	0.63	0.63	0.63

Source: AGCOM – Resolution 152/23/CONS published on June 21, 2023

With particular regard to FTTC and FTTH VULA rates, AGCOM's proposal provides for a glide path to limit burdens on FTTC operators and provide them with more time to migrate to FTTH networks, which are expected to become increasingly available in the course of the regulatory period. However, since, at the time the said scheme was published, the details of the Transactions had not yet been notified to AGCOM, such scheme does not take into account the envisaged effects of the successful completion of the Transactions. See also "*—Wholesale Fixed Access Markets*," "*Risk Factors—Risk related to the business activity and industries of NetCo—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business," and "Risk Factors—Risks Related to the TIM Group—Risks related to the TIM Group's Business Activity and Industry—The TIM Group operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business. There can be no assurance that the TIM Group will be able to deliver all of the related expected benefits of the Transactions from a regulatory perspective*."

Terminating Segment of Leased Lines

AGCOM's Resolution 333/20/CONS related to the market of wholesale high-quality access provided at a fixed location divided in two relevant markets concerning the terminating segment of leased lines, published on August 31, 2020, provides the following:

- withdrawal of an *ex ante* regulation in the competitive area of Milan;
- removal of the cost-orientation obligation for leased lines services 24 municipalities that have been found "*contestable*" in relation to this specific market. In such municipalities, prices shall anyway comply with fairness and reasonableness principles;
- withdrawal of the obligation to provide the following access services for new activations: (i) analogic terminating circuits, and digital PDH terminating circuits with a speed less than or equal to 2 Mbps, (ii) ethernet over SDH termination and (iii) Ethernet over SDH interconnection links.

Consistently with a previous round of market analysis, prices of PDH and SDH circuits are set according to a network cap model valid for the years 2019, 2020 and 2021, while corresponding one-off fees were reduced by 2% per year. On the other hand, monthly fees and one-off fees for terminating ethernet over optical fiber services will be evaluated yearly by way of the Reference Offer approval procedure.

As for the year 2022, AGCOM proposed in consultation (Resolution No. 337/22/CONS) to confirm prices for the year 2021 for all the services in non-contestable areas, to limit retroactive effect. Considering the instable condition of inflation, in the consultation AGCOM proposed to confirm 2021 prices approved for leased lines over SDH also for year 2023 and confirmed cost orientation for fiber products. After the national consultation and comments of the European Commission on the draft decision, by its Resolution 132/23/CONS AGCOM confirmed all the proposed provisions, except for the prices of Ethernet over fiber leased lines products that were updated consistently with price evolution of VULA FTTH services, for 2022 (-3.36% with respect to 2021) and 2023 (-2.04% with respect to 2022).

In the scheme for a new Market Analysis published by AGCOM on June 21, 2023, AGCOM:

- proposed to extend the withdrawal of an *ex ante* regulation to the competitive areas of Turin, Barletta, Cornaredo, and Basiglio;
- in line with Resolution 333/20/CONS, proposed to set PDH and SDH circuits prices in the remaining municipalities according to a network cap model valid for the years 2024-2028, while maintaining one-off fees at the levels approved for 2023 (with the exception of prices of Ethernet over fiber leased lines services, subject to cost orientation obligations based on the bottom-up model); and

- proposed to update the list of "*contestable*" municipalities in relation to this specific market to include a total of 67 municipalities and, consequently, remove the cost-orientation obligations for leased lines services in such municipalities (providing that regulated prices approved for 2023 shall continue to apply until December 31, 2024).

However, since, at the time the said scheme was published, the details of the Transactions had not yet been notified to AGCOM, such scheme does not take into account the envisaged effects of the successful completion of the Transactions. See also "*—Wholesale Fixed Access Markets*," "*Risk Factors—Risk related to NetCo's Business Activity and Industry—NetCo operates in a heavily regulated industry and regulatory decisions or changes in the regulatory environment, as well as failure to comply with such regulatory framework, could adversely affect its business*," and "*Risk Factors—Risk related to NetCo's Business Activity and Industry—The implementation of the Transactions may be complex and there can be no assurance that NetCo will be able to deliver any or all of the related expected benefits of the Transactions from a regulatory perspective*."

Wholesale call termination on individual public telephone networks provided at a fixed location

On February 2, 2022, AGCOM published Resolution 13/22/CONS withdrawing regulatory obligations previously imposed to voice call origination on a fixed network (including the third billing obligation) applicable after a transitional period of 24 months and simplifying the regulation of voice fixed termination. Further, AGCOM's decisions contained in this Resolution, are the following:

- confirmation of TIM and 25 other operators' status of SMP operators with regard to the voice fixed termination market;

- confirmation of the 2019 termination price of €0.041 per minute until June 30, 2021;

- entry into force of the single maximum EU-wide wholesale rate of €0.07 per minute on July 1, 2021;

- cost orientation under a symmetrical regime for the prices of the services that are ancillary and additional to the termination service;

- withdrawal of cost accounting and accounting separation obligations imposed to TIM, as well as of half-yearly reporting obligations, for termination services without any transitional period; and

- reduction (from 12 months to 6 months) of the notice period required for all SMP operators for communicating the intention of decommissioning of one or more Time Division Multiples ("**TDM**") interconnection nodes, as well as removal from the publication of the final decision on the obligation to activate new interconnections with a TDM interface.

The Universal Service

The Universal Service ("**US**") is a minimum set of services of a certain quality, that must be guaranteed to all customers, regardless of their geographical location in Italy, and offered at a reasonable price, taking into account specific national conditions. Currently, under Article 94 of the ECC, such US services are (i) provision of broadband internet access services, and (ii) provision of voice communication services, including the underlying connection, at a fixed location (see Article. 94, paragraph 1 of Italian Legislative Decree No. 207/2021).

In the past, under the previous version of the Italian Communication Code (CC), TIM was the only operator designated to provide the US. However, pursuant to the new Italian CC, AGCOM, in order to designate one or more companies as suppliers of the US, must first identify minimum bandwidth for an adequate broadband internet access service (Art. 94, paragraph 3 of the Italian CC) and subsequently must verify that the availability and the economic accessibility at a fixed location of such service along with voice service cannot be guaranteed throughout the national territory under normal commercial conditions and through other potential instruments of public policies (Article 95 and Article 96 of the Italian CC). In this regard, by its Decision No. 309/23/CONS of December 5, 2023, AGCOM identified broadband internet access with a download speed of 20 Mbps as the broadband internet access service to be provided as part of

the US, and clarified that, pending further AGCOM's determinations, TIM cannot be considered to be automatically bound to provide such US broadband internet access services.

The Universal Service Fund ("**USF**") was established as a fund collecting and holding mandatory contributions paid by the major Italian communications companies in order to finance the net costs for US provided by the designated US operator, TIM.

AGCOM is responsible for verifying the net cost of the US provision and assessing whether this amount represents an unfair burden for the designated operator. If such burden is determined to be unfair, the designated operator may be entitled to an adequate compensation through the USF.

AGCOM assessed the net cost and authorized the funding mechanism until 2005 but did not recognize any net cost contribution for 2006 and 2007. The net cost for the provision of US for the period from 2004 to 2007 was subsequently calculated on the basis of a methodology established by AGCOM's Resolution 1/08/CIR in 2008 with a retroactive effect, that led to a significant decrease in the amount to be financed. The Council of State had overruled AGCOM's resolution. In response to such decision, AGCOM issued Resolutions 207/17/CONS and 145/17/CONS initiating proceedings for the review of the calculation of US net costs for 2004 and 2005, and 2006 and 2007, respectively. Additionally, with Resolution 103/19/CIR issued on September 11, 2019, AGCOM has recognized a supplementary US net cost charged to the other operators for the period from 2004 to 2007, to be equal to €26.7 million. Finally, with Resolution 88/18/CIR, published on June 21, 2018, AGCOM has determined that the net cost for 2008 equals zero and the net cost for 2009 amounts to €11.61 million and it is to be shared by the fixed and mobile operators.

On July 7, 2015, the Council of State delivered a decision rejecting TIM's appeal filed against TAR's decision related to AGCOM's Resolution issued in 2011 in connection with the proceedings for the review of the calculation of US net costs from 1999 to 2003 (excluding 2001). The subsequent decision of the Supreme Civil Court issued on December 27, 2017, rejected the following appeal filed by TIM and confirmed the need for a renewal of the proceeding to calculate the US net costs for the period above. AGCOM began the renewal proceedings for these years and periods with Resolution 102/19/CIR on September 11, 2019. Such proceeding has been dismissed through Resolution No. 190/19/CIR following the decision of the Council of State dated October 8, 2019, that confirmed the possibility for AGCOM to renew the proceeding but provided a new guidance on the principles to be followed in doing so.

Following the Council of State's decision, Vodafone had requested a refund from TIM of the amounts paid for 1999, 2000, 2002, 2003 and subsequent periods. Through the abovementioned decision published in October 2019, the Council of State has also accepted the appeal of Vodafone, requiring TIM to return the disputed sums.

In September 2020, AGCOM ended the public consultation related to the review of the unfairness of US net cost charges for the period from 1999 to 2009. In resolution 263/20/CIR, AGCOM defined a new approach to demonstrate unfairness of US net cost charges and, on the basis of such new approach, AGCOM recognized the unfairness of the charges for the period from 2002 to 2009, while AGCOM did not find the net cost charges for 1999 and 2000, to be unfair.

On March 29, 2021, in its Resolution 18/21/CIR, AGCOM confirmed the obligation for mobile operators to participate in US contribution mechanism for the period from 2001 to 2009. However, AGCOM's Resolution 18/21/CIR was challenged by the other authorized operators ("**OAOs**"). Vodafone and Wind requested the suspension of the payment of the contributions to the USF until the conclusion of the proceeding, and the Ministry informed the fixed and mobile OAOs not to proceed with the payment of contributions of the years in question.

On February 17, 2022, the TAR annulled AGCOM's Resolution 18/21/CIR by accepting one of the grounds of appeal advanced by the OAOs focused on the threshold parameter relating to the unfairness of the burden that was contested with regard to the economic and financial impacts on the OAOs in question. The further OAOs appeal grounds were instead rejected by the TAR.

In the context of the second instance proceeding, the Council of State, with two decisions dated April 18, 2023 and May 2, 2023 (respectively, orders No. 3885/2023 and No. 4356/2023), decided to request a preliminary ruling by the European Court of Justice on the conditions to be met for AGCOM to impose USF obligation to the OAOs. The rulings of the EU Court of Justice are expected to be issued in 2025.

On September 14, 2021, AGCOM published Resolution 92/21/CIR with the final aim to assess the possible unfair nature of the US net costs for years 2010-2013. However, on June 27, 2022, AGCOM issued Resolution 1/22/CIR suspending the deadlines of the proceeding originally established by Resolution 92/21/CIR and then extended by Resolutions 58/22/CONS and 143/22/CONS in light of the impacts that could result from the abovementioned judicial proceeding against Resolution 18/21/CIR pending before the Council of State.

Finally, by Resolution 98/23/CONS, AGCOM has withdrawn the obligation to ensure the availability of public payphone service in the US framework.

Regulatory levies

Contribution Fees for the Functioning of AGCOM and for maintaining the authorizations as provider of electronic communications networks and services, together with numbering resources and spectrum rights of use

NetCo and the other electronic communications operators in the Italian market are required to pay annual contribution fees to cover AGCOM's costs for its regulatory activities over the electronic communications sector. The contribution fees are determined in accordance with the AGCOM's specific resolutions issued yearly by AGCOM and are calculated on the basis of each operator's revenues.

Contribution fees for the electronic communications sector were determined by AGCOM as equal to 1.3 per thousand of each operator's revenues for 2022, and equal to 1.4 per thousand of each operator's revenues for both of 2023 and 2024, while contributions fees for the "media" sector were determined as equal to 1.9 per thousand of each operator's revenues for 2022, and equal to 2 per thousand of each operator's revenues for both of 2023 and 2024. On the basis of such resolutions, TIM paid, under reserve, approximately €15.7 million for 2022 and approximately €16.1 million for 2023.

In addition, the TIM Group is required to pay additional annual levies to the Ministry for the Enterprises and the Made in Italy for maintaining its authorizations as provider of electronic communications networks and services.

Government's UBB Network State Aid Plans

In June 2016, the European Commission authorized the Italian government's ultrabroadband ("**UBB**") State Aid Plan ("**UBB State Aid Plan**") in an amount of €4 billion. The purpose of UBB is to foster expansion of NGA, a new or upgraded access networks, that compared to the existing services will allow for the substantial improvements in broadband speeds and quality of service for 25% of the Italian population living in about 7,200 municipalities across Italy belonging to UBB "*white areas*" (i.e. the areas where NGA is currently not available and there is no interest of private operators to deploy it in the near future). According to UBB State Aid Plan, these 7,200 municipalities are grouped into two clusters, cluster C and cluster D. According to UBB State Aid Plan, 70% of the connections in cluster C will be provided with at least a speed of 100 Mbit/s for downloading and 50 Mbit/s for uploading services, while the remaining 30% should be able to reach at least a speed of 30 Mbit/s for downloading and 15 Mbit/s for uploading services. Connections falling under cluster D should be able to download at a speed of at least 30 Mbit/s for and upload at a speed of at least 15 Mbit/s.

On June 3, 2016, Infratel published an invitation for a tender procedure of €1.4 billion for a 20-years concession for deploying and managing an UBB "*passive*" infrastructure, composed by ducts and dark fiber, in the white areas in Abruzzo, Molise, Emilia Romagna, Lombardia, Tuscany and Veneto regions. On March 7, 2017, the tender was awarded to Open Fiber.

On August 8, 2016, Infratel published another invitation for a second tender regarding the ultrabroadband white areas that include ten additional Italian regions (Piemonte, Valle d'Aosta, Friuli Venezia Giulia, Liguria, Marche, Umbria, Lazio, Campania, Basilicata, Sicily and Trento Autonomous Province), for a total public financing of approximately €1.25 billion. TIM did not submit any bids. On July 28, 2017, the second tender was awarded to Open Fiber.

The Italian Strategy for Ultra Broadband "*Towards the Gigabit Society*" (the "**Strategy**"), approved on May 25, 2021 by the Interministerial Committee for the Digital Transition ("**ICDT**"), defined the actions necessary to achieve the

digital transformation objectives set by the European Commission in its Gigabit Society Communication and Digital Compass. See "*—The EU Electronic Communications Regulatory Framework—Overview*."

The NRRP approved by the Italian government on April 29, 2021, allocates 27% of the resources to the digital transition, of which €6.7 billion are intended for strategic projects related to the ultrabroadband services, in line with the Government's strategy launched in 2015. In addition to the objective to complete the coverage plan for UBB white areas and create measures to support demand, the Strategy mentioned in the previous paragraph is composed by 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, insufficient, or the improvement is not imminently expected. The €6.7 billion funds have been allocated by NRRP's for the following plans:

- *"Italia a 1 Giga" Plan;*
- *"Italia 5G" Plan;*
- *"Connected Health" Plan;*
- *"Connected School" Plan;* and
- *"Smaller Islands" Plan*.

Through these measures and plans, the Italian government intends to bring forward by 2026 the 1 Gbit/s connectivity objectives for all Italian citizens across the national territory and full 5G coverage in the populated areas set by the Digital Compass for 2030.

Pursuant to the provisions of the abovementioned agreements with Infratel, the transfer of TIM's business as a going concern envisaged as part of the successful completion of the Transactions, including the envisaged take-over of NetCo in TIM's position in the BB/UBB, the "Italia a 1 Giga" Plan, and the "Italia 5G" Plan's fiber Backhauling Tender, is subject, for the purposes of such agreements, to the obtainment of the consent of Infratel.

"Italia a 1 Giga" Plan

The "*Italia a 1 Giga*" is a €3.86 billion plan that would guarantee a fixed coverage of 1 Giga in download and at least 200 Mbit/s in upload speed in the Grey and Black Areas where, until 2026, the plans of private operators could not guarantee "*reliable*" download connections of at least 100 Mbit/s.

In April 2021, Infratel started mapping UBB fixed coverage plans for the period starting from 2021 and ending in 2026 by all private operators, including FWA coverage, based on 21.3 million grey and black addresses collected during the previous mappings. The results of the fixed mapping were published on August 6, 2021. The intervention threshold was set at the coverage of 300 Mbit/s, and based on such threshold approximately 6.2 million street addresses were identified as the object of public intervention. Following a public consultation on the methods of intervention, invitations for tenders with an incentive model on a regional or multi-regional basis will be used for the disbursement of public funding.

Within the "*Italia a 1 Giga*" plan, on October 13, 2021, Infratel launched a complementary consultation that ended on November 15, 2021, relating to updates to the mapping of UBB fixed coverage in the white areas of the 2016 BUL Plan, which covers 11.8 million citizens, including:

- the street addresses of the BUL tender awarded to the public concessionaire Open Fiber; and
- street addresses corresponding to approximately 450,000 real estate units located in remote areas (so-called "*scattered houses*"), not included in previous public intervention plans.

On the basis of the coverage plans declared by Open Fiber and private operators, 1.6 million street addresses that do not have access to at least 300 Mbit/s coverage, have been identified as subject of public funding for the completion of the "*Italia a 1 Giga*" by 2026.

The "*Italy at 1 Giga Plan*" was sent to the European Commission on November 8, 2021 and was approved on January 27, 2022.

On January 15, 2022, Infratel published the "*Italia a 1 Giga*" invitation for a tender procedure granting public funds for the financing of investment projects aimed at the construction of new electronic communications infrastructures and related access equipment capable of providing services with at least 1 Gbit/s in download and 200 Mbit/s in upload speed, with a deadline of March 31, 2022. The tender included 15 lots covering around 6.9 million citizens and the funding foreseen in the tender amounted to €3.68 billion. Each competitor was able to win up to eight lots. 70% of the expenses incurred will be paid from the public contribution, while remaining share of no less than 30% will be paid by the beneficiary of the public funds. The results of the tenders were published on May 24, 2022 and are as follows:

- a temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop won the tenders relating to: Sardinia (lot 1), Abruzzo, Molise, Marche and Umbria (lot 3), Piemonte, Liguria and Val d'Aosta (lot 4), South Calabria (lot 5), North Calabria (lot 11) and Basilicata (lot 14) for approximately up to €1.6 billion; and

- Open Fiber 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 Lombardia (lot 13) for approximately €1.8 billion.

The tender relating to Trento and Bolzano (lot 15) was resubmitted in April 2022 with a deadline of June 3, 2022 and was awarded to a temporary business group (*raggruppamento temporaneo di imprese*) between TIM and FiberCop on June 28, 2022 for approximately up to €65 million. On July 29, 2022, the relevant agreements were signed between Infratel and the operators that had been awarded the individual lots.

"Italia 5G" Plan

The "*Italia 5G*" is a €2.02 billion plan, that provides for 5G coverage with 150 Mbit/s download speed and at least 50 Mbit/s upload speed in the following areas:

- European 5G corridors: these corridors cover 2,645 km and the funds allocated under the plan amount to €420 million;

- extra-urban roads ready for 5G: these roads are extended on an area of approximately 10,000 km, with the plan funds of €600 million; and

- no 5G/4G areas: the funds allocated to this project amount to €1 billion.

To identify the areas to be financed, Infratel has mapped the 4G and 5G mobile coverage plans of private operators for the period from 2021 to 2026, including the sites' fiber backhauling connections. As a result of the mapping, the following were identified as subjects to the public intervention:

- 13,200 mobile radio sites, that include approximately 18,600 Radio Base Stations ("**SRBs**"), for the implementation of fiber backhauling; and

- 15% of the national territory primarily consisting of crucial land transport routes, such as roads and railways, for the implementation of 5G.

The results were subject to a public consultation opened until December 15, 2021. Following the results of the public consultation, to encourage the creation of infrastructures for the development of 5G networks without investments from the market, on March 21, 2022 Infratel published the following two tenders:

- fiber backhauling tender; and

- new 5G sites tender.

The European Commission approved the State aid measure, including the above tenders on April 25, 2022. The deadline for submitting the bids expired on May 9, 2022.

Fiber Backhauling Tender

The tender provides for incentives for the investments in the construction of fiber optic links of over 10,000 existing mobile radio sites, up to 90% of its costs. It is divided into six multi-regional lots with an investment incentive of approximately €949,1 million. On June 13, 2022, all lots were awarded to TIM for a total value of approximately €725 million, and the relevant agreements related to each lot were signed between Infratel and TIM on July 29, 2022.

New 5G Sites Tender

The second tender is related to the construction of new 5G mobile network infrastructures (fiber, infrastructure and electronic components) in more than 2400 areas. This would ensure a transmission at least 150 Mbit/s download and 30 Mbit/s upload speeds, to be financed up to 90% of the costs with the funds of approximately €974 million. The second tender is divided into six multi-regional lots, different from the lots included in the fiber backhauling tender. This tender was abandoned and was republished with changes on May 20, with a deadline for the bids set for June 10, 2022. The new invitation for the bids provides for funding of approximately €567 million and reduces a number of sites for 50%. On June 28, 2022, Infratel announced that all lots were awarded to INWIT forming a temporary joint venture with TIM and Vodafone for approximately up to €346 million. On July 29, 2022, the relevant agreements relating to the awarded 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 Gbit/s to 10 Gbit/s to approximately 12,280 healthcare facilities throughout Italy. In order to implement the plan, on January 28, 2022 Infratel launched a tender for the supply of ultrabroadband 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 April 11, 2022.

The invitation provides for an allocation of €387 million and is divided into eight territorial lots. Each bidder could be awarded up to four lots. The provisional results of the tenders awarding €314 million was announced on June 6, 2022. TIM won two of the eight lots comprising the regions of Lombardia, Emilia-Romagna, Marche and Umbria, and was awarded approximately €78 million. The relevant agreements related to these lots were signed between Infratel and TIM on September 20, 2022.

"Connected School" Plan

The "*Connected School*" plan aims to complete the 2020-2023 School Plan launched by the Italian Government on May 5, 2020, that provided for the supply of an ultrabroadband connection speed up to 1 Gbit/s with a minimum guaranteed speed of 100 Mbit/s. The plan captures 35,000 school buildings, comprising 78% of the total number of the school buildings in Italy. Particularly, these include kindergartens, primary schools, the first and second level secondary schools, including those located in the White Areas.

In order to implement the plan, between September and December 2020, Infratel carried out a public consultation and issued an invitation for tender with public funding of €274 million divided into seven lots. Each bidder could be awarded up to two lots. On February 26, 2021 Infratel announced the results of the tender awarding €271 million. TIM won two lots that include the regions of Tuscany, Veneto, Marche, Abruzzo, Molise and Puglia, that were awarded €84 million.

The new "*Connected School*" plan launched in 2022 aims to complete the public intervention by including the remaining 9,900 school buildings into the plan.

In order to implement this plan, on January 28, 2022 Infratel launched a new tender, with a total budget of over €184 million to be awarded for the supply of ultrabroadband internet connectivity services at schools in Italy, including the supply and installation of the access network and management and maintenance services. The tender was divided into

eight territorial lots and the same operator could be awarded up to four lots. The provisional award of the tenders was announced on June 6, 2022 with approximately €166 million awarded. TIM won four lots comprising the regions of Piemonte, Liguria, Valle d'Aosta, Tuscany, Lazio, Campania, Calabria, Sicily and Sardinia, winning over €99 million. The related relevant agreements were signed between Infratel and TIM on September 20, 2022.

"Smaller Islands" Plan

The "*Smaller Islands*" an approximately €60.5 million plan aims to provide an adequate connectivity to 18 smaller islands currently without fiber optic connections with the mainland. In particular, the islands will be equipped with an optical backhaul that will allow a development of an ultrabroadband connectivity. The optical backhaul will be accessible to all operators through Submarine Backhaul Access Points ("**SBAP**") 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 plan would be implemented through direct intervention models, with the new network financed and owned by the State and managed by one or more operators, chosen on the basis of a competitive, open, transparent and non-discriminatory process.

The tender to identify the economic operators to be entrusted with the design, supply and installation of submarine fiber optic cables for the construction of the "*Smaller Islands*" plan was launched on November 18, 2021 and ended on December 22, 2021. The tender was abandoned and resubmitted by Infratel on February 11, 2022 with certain modifications. The tender was awarded to Elettra TLC on April 28, 2022 for approximately €45 million.

New consultation on mapping backhauling networks 2023

On December 18, 2023 Infratel launched a new consultation, expiring on January 31, 2024, in order to update the mapping of the backhauling networks. The mapping has the objective of knowing whether the collection points of the fixed access network (on physical carrier or FWA radio) existing, or planned by 2026, have a backhaul network with sufficient capacity to transport the traffic offered by the network access capable of providing download connection speeds equal to or greater than 300 Mbit/s in the peak period for each household passed.

In the event of a market failure, i.e. if the capacity of the backhauling network, existing or planned, is deemed insufficient to cope with the expected development of the corresponding access networks based on the current and future needs of end users, further public intervention to support backhauling networks could be defined.

Spectrum

According to AGCOM's Resolution 157/22/CONS, in July 2022 TIM paid approximately €9.68 million for the renewal of 2x112 MHz FDD spectrum rights of use in the 27.5 – 29. GHz band until the end of 2029.

Italian Golden Power Legislation and National Cyber Security Perimeter legislative framework

Under the Golden Power Legislation, the Italian Golden Power Authority may, among others, prohibit or impose undertakings on: (i) the acquisition of certain shareholdings in Strategic Companies, and (ii) resolutions, acts or transactions concerning a Strategic Company and resulting in a change in ownership, control, possession or intended use of such strategic assets or relationships, including, among others, any merger, de-merger, transfer of business/branch of business as going concern, and the enforcement and, according to a prudential interpretation, the granting or extension of pledges over the shares or assets of Strategic Companies. See "*Risk Factors—Risks related to the legislative and legal framework—The Italian Golden Power Authority has exercised, and may in the future exercise, its significant powers under the Golden Power Legislation with respect to the TIM Group, including with respect to the TIM Group's ability to enter into strategic transactions*."

The Company is required to notify the Italian Golden Power Authority of the transactions, resolutions or acts listed above. In the event of non-compliance with the obligations, specific penalties are provided, including administrative fines of up to twice the value of the transaction and in any case not less than 1% of the company's turnover or the

cumulative turnover of the companies involved in the transaction in the last financial year for which the financial statements were approved.

The regulatory framework on National Security was enriched by the creation, in 2019, of the National Cyber Security Perimeter (PSNC). The legislation is intended to ensure a high level of security of networks, information systems and IT services of public administrations, public and private entities and operators with an established office in the national territory, on which the exercise of an essential function of the State depends, i.e. the provision of an essential service for the maintenance of civil social or economic activities, fundamental to the interests of the State and whose malfunctioning, interruption, even partial, or improper use, may result in a prejudice to national security.

Failure to comply with the obligations may result in administrative fines of up to €1.8 million.

Antitrust

Antitrust Issues in Italy

NetCo is subject to Italian competition laws, particularly Law no. 287 dated October 10, 1990 ("*Provisions aiming at protecting competition and the market*") that established the AGCM. AGCM's primary responsibilities and powers include the following:

- application of (i) Law no. 287/1990, (ii) the relevant EU provisions, including Article 101 and Article 102 of the Treaty on the Functioning of the European Union ("**TFEU**"), when applicable, (iii) Legislative Decree No. 206/2005 concerning consumer protection and Legislative Decree No. 146/2007 concerning unfair commercial practices;
- supervision of the (i) practices and/or agreements that could be restrictive for the competition landscape, (ii) abuses of dominant positions and (iii) mergers and concentrations of enterprises; and
- monitoring conflicts of interest in the case of individuals holding government positions.

In addition, AGCM may adopt interim measures and make binding and enforce commitments upon the proposing parties in order to prevent identified competition concerns and violations.

Antitrust Issues at the European Level

NetCo is subject to the European competition framework. European competition regulation covers various matters, including anticompetitive agreements (Article 101 TFEU), abuse of dominance (Article 102 of TFEU), mergers with an EU dimension reaching certain turnover thresholds, and state aid (Article 107 of TFEU).

The European Commission is empowered by the TFEU to apply antitrust rules (Articles 101 and 102 TFEU) directly and for that purpose it holds a number of investigative powers, such as inspection at business and non-business premises and written requests for information. It may also impose fines on subjects and their undertakings infringing the EU antitrust rules. The main antitrust rules on procedures are set out in Council Regulation (EC) 1/2003.

Since May 1, 2004, all National Competition Authorities (in Italy, AGCM) have been empowered to fully apply EU antitrust rules by virtue of Articles 101 and 102 of the TFEU, in order to ensure that competition is not distorted or restricted. The national courts may also apply these provisions in order to protect the individual rights guaranteed to the EU citizens by TFEU.

As part of the overall enforcement of EU competition law, the European Commission has also developed and implemented a policy on the application of EU competition law to actions for damages before national courts. European Commission also cooperates with national courts in order to ensure the coherent application of the EU competition rules within the Member States' judicial systems.

Furthermore, in the event of mergers, acquisitions or extraordinary transactions promoted by or involving TIM or part of its assets, the relevant transaction may be subject to *ex-ante* control by the European Commission, pursuant to Regulation (EC) 139/2004 on the control of concentrations between undertakings (the "**Merger Regulation**").

According to the Merger Regulation, a concentration with "Community dimension" (i.e. involving a turnover over the thresholds provided for by Article 1 of the Merger Regulation) shall be notified to the European Commission prior to its implementation. In case the concentration does not have a Community dimension, it may be subject to ex-ante control from AGCM, provided that the thresholds provided for by Article 16 of Italian Law No. 287 of October 10, 1990 are met. Upon analysis of the prospected transaction, the European Commission may: (i) declare the transaction compatible with the common market; (ii) impose on the parties certain conditions and obligations aimed at ensuring the transaction's compatibility with the common market; or (iii) declare the transaction incompatible with the common market. Non-compliance with the obligations set out in the Merger Regulation may lead to fines up to 10% of the aggregate turnover of the infringing undertakings in case of, *inter alia,* failure to notify a transaction, breach of the standstill obligation, failure to comply with one or more of the conditions imposed, as well as in case of implementation of a transaction declared incompatible with the common market.

MANAGEMENT OF THE TIM GROUP

It is currently expected that on April 23, 2024, the shareholders' meeting of TIM will convene, resolve, among others, on the appointment of the New Board and a new board of statutory auditors. Accordingly, the New Board may decide not to confirm certain members of the TIM Group's senior management. For further information, please see "*Risk Factors—Risks Related to the TIM Group—Risks Related to the TIM Group's Business Activity and Industry—Any changes in the TIM Group's directorship and/or senior management could adversely affect the TIM Group's business*."

Board of Directors of TIF

The following table sets forth, as of the date of this Exchange Offer Memorandum, certain information regarding the individuals who currently serve on the board of directors of TIF.

Name	Age	Position
Paolo Barroero	58	Chairman
Fabio Adducchio	33	Director
Tom Loesch[(1)]	67	Director
Costanzo Perona	61	Director
Antonio Sica	59	Director
Karen Wauters[(1)]	62	Director

(1) Independent director.

Audit Committee of TIF

The following table sets forth, as of the date of this Exchange Offer Memorandum, certain information regarding the individuals who currently serve on the Audit Committee of TIF.

Name	Age	Position
Tom Loesch	67	Member
Costanzo Perona	61	Member
Karen Wauters	62	Member

Board of Directors of TIM

The following table sets forth, as of the date of this Exchange Offer Memorandum, certain information regarding the individuals who currently serve on the board of directors of TIM.

Name	Age	Position
Salvatore Rossi	74	Chairman
Pietro Labriola	56	Director, Chief Executive Officer and General Manager
Paolo Boccardelli[(1)]	52	Director
Paola Bonomo[(1)]	54	Director
Paola Camagni[(1)]	53	Director
Maurizio Carli[(1)]	65	Director
Cristiana Falcone[(1)]	50	Director
Federico Ferro Luzzi[(1)]	55	Director
Giulio Gallazzi[(1)]	59	Director
Giovanni Gorno Tempini	61	Director
Marella Moretti[(1)]	58	Director
Ilaria Romagnoli[(1)]	56	Director
Paola Sapienza[(1)]	58	Director
Massimo Sarmi	75	Director
Alessandro Pansa	72	Director

(1) Independent director.

Executive Officers of TIM

The following table sets forth, as of the date of this Exchange Offer Memorandum, certain information regarding the individuals who currently serve as key managers of TIM.

Name	Age	Position
Pietro Labriola	56	Chief Executive Officer and General Manager
Eugenio Santagata	50	Chief Public Affairs & Security Officer
Claudio Giovanni Ezio Ongaro	55	Chief Strategy & Business Development Officer
Adrian Calaza Noia	56	Chief Financial Officer
Paolo Chiriotti	53	Chief Human Resources & Organization Officer
Agostino Nuzzolo	55	Head of Legal & Tax
Giovanni Gionata Massimiliano Moglia	63	Chief Regulatory Affairs Officer
Simone De Rose	58	Head of Procurement
Elio Schiavo	60	Chief Enterprise & Innovative Solutions Officer
Andrea Rossini	53	Chief Consumer, Small & Medium Market Officer
Elisabetta Romano	60	Chief Network, Operations & Wholesale Officer
Alberto Mario Griselli	53	Director President of TIM S.A.

The Directors have their business address at TIM's legal seat at Via Gaetano Negri 1, 20123 Milan, Italy.

Board of Statutory Auditors of TIM

The following table sets forth, as of the date of this Exchange Offer Memorandum, certain information regarding the individuals who currently serve on the board of statutory auditors of TIM.

Name	Position
Francesco Fallacara(1)	Chairman
Angelo Rocco Bonissoni	Acting Auditor
Francesca di Donato	Acting Auditor
Anna Doro(1)	Acting Auditor
Massimo Gambini	Acting Auditor
Ilaria Antonella Belluco (1)	Alternate Auditor
Laura Fiordelisi(1)	Alternate Auditor
Franco Maurizio Lagro	Alternate Auditor
Paolo Prandi(1)	Alternate Auditor

(1) Elected by minority shareholders.

MANAGEMENT OF THE OPTICS GROUP

Board of Directors of Optics

The following table sets forth, as of the date of this Exchange Offer Memorandum, certain information regarding the individuals who currently serve on the board of directors of Optics.

Name	Age	Position
James Anthony Gordon	38	Chairman
Leonardo Maria Pica	30	Director
Riccardo Busani	35	Director
Bruno Abbate	58	Director

The directors of Optics have their business address at Optics' legal seat at Corso Vercelli 40, 20145 Milan, Italy.

Board of Directors and Executive Officers of NetCo

Upon the successful completion of the Transactions, KKR Funds' interest in FiberCop will transition from its indirect 37.5% stake in FiberCop (through Teemo Bidco S.à r.l.), to becoming the controlling indirect shareholder of NetCo. The Agreed Form SHA will define the appointment process for NetCo's board of directors as well as its executive officers alongside other governance provisions contained therein. Therefore, the future governance structure of NetCo is expected to be implemented after the consummation of the Transactions. See "*Principal Shareholders of Optics—Optics' Principal Shareholder—KKR—Shareholders' Agreement*."

See "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Business Activity and Industry—There is no assurance that NetCo's future controlling shareholder's strategy and estimates will be consistent with TIM's management's*" and "*Risk Factors—Risks Related to NetCo—Risks Related to NetCo's Financial Information—There is no assurance that NetCo's future controlling shareholder's strategy and estimates will be consistent with TIM's management's*."

PRINCIPAL SHAREHOLDERS OF THE TIM GROUP

TIM's principal shareholders are Vivendi and its subsidiaries (the "**Vivendi Group**") and Cassa Depositi e Prestiti S.p.A. and its subsidiaries (the "**CDP Group**"). As of December 31, 2023, on the basis of the results of TIM's shareholders' register, communications made to CONSOB and to TIM pursuant to Article 120 of the Italian Consolidated Financial Act, TIM's principal shareholders' shareholdings in the ordinary share capital of TIM is as follows:

	Type of ownership	% of ordinary share capital (As of December 31, 2023)
Vivendi Group	(direct)	23.75
CDP Group	(direct)	9.81

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

PRINCIPAL SHAREHOLDERS OF OPTICS

Optics

Optics BidCo S.p.A., was incorporated in Italy as Optics BidCo S.r.l. on October 6, 2023, registered with the Companies Register of Milan, Monza, Brianza, Lodi (*Registro delle Imprese di Milano, Monza, Brianza, Lodi*) on October 10, 2023 and then converted to a *società per azioni*. Optics is registered under number 13174810963 with the Companies Register of Milan, Monza, Brianza, Lodi (*Registro delle Imprese di Milano, Monza, Brianza, Lodi*) and has its registered office at Corso Vercelli 40, 20145 Milan, Italy.

Optics BidCo S.p.A. has an authorized share capital of €50,000 divided into 50,000 fully paid shares without par value. Optics BidCo S.p.A. is a wholly-owned direct subsidiary of Optics HoldCo S.r.l., which is a wholly-owned direct subsidiary of Optics EblCo S.r.l. KKR holds Optics EBLco S.r.l., through its wholly owned subsidiary KKR Optics Aggregator GP S.à r.l. (in its capacity as general partner of KKR Optics Aggregator SCSp).

Upon the consummation of the Acquisition, funds managed and/or advised by KKR will indirectly exercise sole control over NetCo through a wholly owned subsidiary, expected to be EBLco S.r.l. On or after the Acquisition Closing Date, it is expected that Azure Vista, CPPIB, F2i and the MEF will invest for a stake of up to approximately 17.5%, 17.5%, 11% and 16% of Optics HoldCo, respectively. The final stakes of their respective investments will depend on the actual equity capital needed at completion of the Transactions. Additional minority shareholders are also expected to invest in NetCo through Optics Holdco under the Shareholders' Agreement described below under "*—Shareholders' Agreement*."

Optics' Principal Shareholder—KKR

KKR is a leading global investment firm with a long history of investing in Europe. Founded in 1976 by Henry Kravis and George Roberts and led by Scott Nuttall and Joe Bae, KKR had approximately $553 billion of assets under management as of December 31, 2023. With offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversite and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platforms.

Following the Transactions, KKR's controlling investment in NetCo will be held through KKR Infrastructure, which has a long-term approach to investing. KKR Infrastructure holds approximately 80 infrastructure investments globally within four strategies investing across North America, Europe and Asia-Pacific in a number of sub-sectors and geographies and has over 110 team members, including 90 investment professionals and an additional 25 value creation executives dedicated to infrastructure. KKR Infrastructure adopts a differentiated and disciplined risk-based strategy to its investments with focus on downside protection and low risk of capital impairment, and a conservative approach to leverage and structuring. As of September 30, 2023, KKR Infrastructure had more than $55 billion in assets under management.

Shareholders' Agreement

On the Acquisition Closing Date, it is expected that: (i) KKR, through its investment vehicle EBLco, and a separate SPV (the "**K-Infra SPV**," and EBLco and K-Infra SPV together, the "**Lead Investor**"), will acquire indirect sole control of NetCo. The following shareholders will also invest in NetCo through Optics Holdco, each as a minority shareholder, on the terms set forth in the Agreed Form SHA:

(i) MEF;

(ii) Azure Vista;

(iii) F2i; and

(iv) CPPIB.

The Lead Investor will be entitled to designate a majority of Optics Holdco board so long as it holds at least 25% of the equity securities in Optics Holdco. The remaining directors will be appointed to the Optics Holdco board by all other shareholders of Optics Holdco at one director per 8.75% shareholding in Optics Holdco, and each other shareholder may aggregate their holding with each other shareholder for the purposes of this threshold (for instance, two shareholders with a 13.5% holding each may individually appoint one director, and then collectively use their remaining 4.75% each to jointly appoint a third director), subject to the MEF always being entitled to designate at least one director for appointment to the Optics Holdco board who will be appointed as chairperson of the Optics Holdco board, who shall not have a casting vote. The attendance of the chairperson is not required for a directors' meeting to have the required quorum. The attendance of the chairperson is required for resolutions pertaining to certain 'Strategic Matters' (i.e. only matters of national strategic and security relevance), however these are not expected to influence strategic commercial behavior of NetCo. All governance provisions applicable to Optics Holdco in the Agreed Form SHA will also apply to the board of any of its subsidiaries (including NetCo).

The Lead Investor will be entitled to control the majority of the voting rights so long as investment funds, vehicles and/or accounts advised and managed by KKR & Co. Inc. hold at least 25% of the equity securities in Optics Holdco, with the remaining votes being divided amongst the other shareholders pro rata to their shareholdings.

All actions will be taken by the Optics Holdco board, other than:

(i) "Reserved Matters," including (but not limited to) customary minority shareholder protections such as (a) any amendments to the organizational documents of Optics Holdco or its subsidiaries which disproportionately and adversely affect a shareholder when compared to the other shareholders, except for amendments mandatorily required by applicable law, (b) the filing of a petition for voluntary bankruptcy, dissolution, liquidation or winding up by NetCo (or any of its subsidiaries), and (c) any material related party transaction(s), each of which will require the affirmative vote of each shareholder holding at least 8.75% of the share capital of Optics Holdco;

(ii) "Additional Reserved Matters," including (but not limited to) (a) any amendments to the then-existing Optics Holdco business plan that would result in a change (whether positive or negative) in excess of 12.5% of the Optics Holdco's operational or roll-out capital expenditure compared to the then-existing Optics Holdco business plan, (b) any amendments to the budget of Optics Holdco which would result in a budgetary deviation (including with respect to the operational or rollout capital expenditure and/or instances where such deviation would reasonably result in delays or adverse effects to the roll out plan) exceeding 12.5% compared to the budget of Optics Holdco for that financial year and (c) any merger or acquisition or disposal, other than a transaction in Italy related to towers, data centers and/or wholesale fiber involving an equity value below 10% of the equity value of Optics Holdco (excluding any transaction by which NetCo becomes the beneficial owner of more than 50% of the equity and voting securities, or all or substantially all of the assets, of Open Fiber), each of which will require the affirmative vote of each shareholder holding at least 17.5% of the share capital of Optics Holdco; and

(iii) "Qualified Reserved Matters," including (but not limited to) veto rights in relation to (a) amendments to the budget of Optics Holdco (or NetCo) that would result in a misalignment with the business plan and (b) the pursuit or settlement of any material regulatory proceedings before any competent regulatory or competition authority, each of which will require the affirmative vote of each shareholder holding at least 30% of the share capital of Optics Holdco.

In the event that the number of votes in favor of a matter brought before the Optics Holdco board for approval are equal to the number of votes against such matter, or in the case of a failure to secure the required consent with respect to Reserved Matters, Additional Reserved Matters and/or Qualified Reserved Matters(a "**Deadlock**"), the shareholders agree to cooperate in good faith to attempt to resolve such Deadlock, and any shareholder may issue a written notice to the other shareholders in the relevant matter setting out the specifications of such Deadlock ("**Deadlock Notice**") whereupon senior officials designated by the shareholders involved in the relevant matter shall consult in good faith for a period of 30 calendar days from receipt of the Deadlock Notice. If the Deadlock remains unresolved upon expiry

of the period of 30 calendar days from receipt of the Deadlock Notice, the matter shall be deemed not approved by the Optics Holdco board.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS OF THE TIM GROUP

In the ordinary course of the TIM Group's business, the TIM Group enters into various agreements and transactions with related parties. These agreements and transactions, when not dictated by specific laws, are carried out on arm's length terms, in compliance with the TIM Group's related-party transactions procedure, which sets forth rules designed to ensure the transparency and fairness of any transactions it enters into in accordance with CONSOB Regulation No. 17221/2010 of March 12, 2010, as subsequently amended and supplemented, concerning "*Related-Party Transactions*" (the "**CONSOB Regulation 17221/2010**").

The related-party transactions described in this section are those qualifying as transactions of 'greater importance,' for the purposes of CONSOB Regulation 17221/2010 and Article 7 of TIM Group's related-party transactions procedure, in the years ended December 31, 2023, 2022 and 2021. In accordance with CONSOB Regulation 17221/2010, no significant transactions were concluded in the years ended December 31, 2023, 2022 and 2021, that materially impacted the financial position or results of operations, or which had a significant effect on the financial position or performance, of the TIM Group.

For further information on the recent transactions described below and other related-party transactions, including the effect thereof and of transactions with subsidiaries, transactions with associated, subsidiaries of associates and joint ventures, transactions with other related parties and transactions with pension funds on the TIM Group's separate consolidated income statement, consolidated statement of financial position and consolidated statements of cash flows (as applicable), see Note 36 to the 2022 TIM Audited Consolidated Financial Statements, see Note 36 to the 2023 TIM Audited Consolidated Financial Statements each included elsewhere in this Exchange Offer Memorandum.

National Strategic Hub (Polo Strategico Nazionale)

On August 24, 2022, after an open tender procedure process, a newly incorporated project company established by the TIM Group, and of which TIM holds 45% of the share capital, together with Cassa Depositi e Prestiti (through its subsidiary CPD Equity), Leonardo and Sogei, was awarded a public-private partnership contract with the Department of Digital Transformation of the Presidency of the Italian Council of Ministries (*Presidenza del Consiglio dei Ministri*), granting concessions for the design, preparation, fitting out and management of the National Strategic Hub's (*Polo Strategico Nazionale*) infrastructure for the provision of cloud services for the Italian national and local public administrations. Since the second half of 2021, with merely prudential approach, CPD Equity, as a subsidiary of Cassa Depositi e Prestiti (and a TIM's shareholder) has been included in the scope of related companies of the TIM Group. The exercise of pre-emption rights was approved by TIM Group's Board, with the favorable opinion of its related-party committee, in compliance with the TIM Group's related-party transactions procedure. A complete description of this transaction is publicly available in accordance with Article 5 of Consob Regulation 17221/2010 and in accordance with the TIM Group's related-party transactions procedure. For more information, see Note 40 to the 2023 TIM Audited Consolidated Financial Statements, included elsewhere in this Exchange Offer Memorandum.

Italtel S.p.A.

On April 1, 2022, TIM increased its stake in the share capital held by the TIM Group in Italtel S.p.A. to 17.72%. Italtel S.p.A. is also subject to the significant influence of TIM in accordance with IAS 28 (Investments in Associates and Joint Ventures). Therefore, starting April 1, 2022, Italtel S.p.A. is considered an associate and its subsidiaries are considered related parties of the TIM Group, in accordance with the TIM Group's related-party transactions procedure. For more information, see Note 40 to the 2023 TIM Audited Consolidated Financial Statements, included elsewhere in this Exchange Offer Memorandum.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS OF THE OPTICS GROUP

In the course of its ordinary business activities Optics expects to regularly enter into agreements with companies within the Optics Group. These agreements will relate to intercompany loans or similar transactions.

Optics believes that all transactions within its Group will be negotiated and executed on an arm's-length basis and that the terms of these transactions will be comparable to those with unrelated third-party suppliers and service providers.

Certain companies within the Optics Group will also engage in various financing transactions with shareholders in connection with the Acquisition.

Management Equity Program

Optics intends to establish a management equity participation program on or after the completion of the Acquisition. The subscribing managers will be expected to enter into an equity participation agreement ("**Equity Participation Agreement**") governing their rights and obligations in connection with their investments in Optics. Any such Equity Participation Agreement is expected to be entered into on customary terms.

DESCRIPTION OF CERTAIN OTHER FINANCING ARRANGEMENTS OF THE TIM GROUP

The following contains a summary of the terms of the TIM Group's key items of indebtedness as of December 31, 2023. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalized 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. TIM Group Loans. For more information on events occurred after December 31, 2023, see "Summary—Recent Developments."

Revolving Credit Facility

On January 16, 2018, TIM, as borrower, entered into a revolving credit facility agreement with, inter alios, certain lenders party thereto (the "**2018 RCF Lenders**") (as amended, restated, supplemented or otherwise modified on May 13, 2021, and as further amended, restated, supplemented or otherwise modified from time to time, the "**RCF Agreement**").

On May 13, 2021, TIM entered into an amendment and restatement to the RCF Agreement with the 2018 RCF Lenders and certain additional revolving lenders, pursuant to which certain additional revolving lenders parties thereto agreed to participate in the Revolving Credit Facility (as defined below) and the 2018 RCF Lenders agreed to transfer their existing rights and obligations under the RCF Agreement, with such lenders thereby extending a euro-denominated tranche of revolving commitments in an aggregate principal amount of €4,000 million (the "**Revolving Credit Facility**"). As of December 31, 2023, the Revolving Credit Facility is fully undrawn. The RCF Agreement includes sustainability-linked provisions that allow the applicable margin to be adjusted upon the TIM Group achieving certain Annual Targets (as specified in the RCF Agreement). The RCF Agreement does not contain any financial covenants. The RCF Agreement contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control and in case of illegality). If an event of default occurs, the lenders under the Revolving Credit Facility will be entitled to take various actions, including the acceleration of amounts due under the Revolving Credit Facility.

The RCF Agreement contains certain negative covenants which, among other things and subject to certain significant exceptions and qualifications, limit TIM's ability to (i) create Encumbrances, (ii) materially change the nature of TIM's business and (iii) engage in mergers or consolidations with entities outside the TIM Group.

The obligations of TIM under the Revolving Credit Facility are unsecured and are not guaranteed by any member of the TIM Group.

Term Loans

As of December 31, 2023, TIM has entered into the following loan agreements (collectively, the "**Term Loan Agreements**" and the loans borrowed thereunder, collectively, the "**Term Loans**"):

- loan agreement, dated as of March 25, 2021, with Intesa Sanpaolo S.p.A., as lender, in an aggregate principal amount of €500 million (the "**Intesa Sanpaolo Loan Agreement**"). The loan matured and was fully repaid on March 25, 2024;

- loan agreement, dated as of October 12, 2021, with Banca Nazionale del Lavoro S.p.A., as lender, in an aggregate principal amount of €100 million and maturing on October 28, 2024 (the "**BNL Loan Agreement**");

- loan agreement, dated February 26, 2019, as amended by amendment dated May 21, 2021, with Bank of America Merrill Lynch Designated Activity Company, as lender, in an aggregate principal amount of €100 million and maturing on May 21, 2025 (the "**Bank of America Merrill Lynch Loan Agreement**" and, together with the Intesa Sanpaolo Loan Agreement and the BNL Loan Agreement, the "**Bilateral Loan Agreements**"); and

- a euro-denominated facility agreement, dated as of July 6, 2022, and backed by a guarantee of SACE S.p.A., in accordance with Article 1, subsection 1 of Decree-Law No. 23 of April 8, 2020, as subsequently amended

and supplemented from time to time (the "**SACE Guarantee**"), which in turn is backed by a counter-guarantee by the Republic of Italy – and is deemed as a public support intervention for the development of production activities within the scope of Legislative Decree No. 123 dated March 31, 1998 (*Provisions for the rationalization of public support interventions for companies pursuant to Article 4, paragraph 4, letter c, of Law No. 59 dated March 15, 1997*) – (as amended, restated, supplemented or otherwise modified from time to time the "**Facility Agreement Guaranteed by SACE**") providing for a term loan facility in an aggregate principal amount of €2,000 million maturing on June 30, 2028 and on which TIM is required to make scheduled quarterly amortization payments as per the Amortization Plan (as set out in the Facility Agreement Guaranteed by SACE), each equal to 8.33% of the term loan principal amount, starting from September 30, 2025.

The Term Loan Agreements contain certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control and in case of borrower illegality). 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.

The Term Loan Agreements contain certain negative covenants which, among other things and subject to certain significant exceptions and qualifications, limit TIM's ability to (i) create encumbrances, (ii) materially change the nature of TIM's business and, (iii) engage in mergers or consolidations with entities outside TIM Group.

The Bilateral Loan Agreements do not contain any financial covenants. The Facility Agreement Guaranteed by SACE includes a financial maintenance covenant based on the TIM Group's Leverage Ratio (as defined in the Facility Agreement Guaranteed by SACE).

As of December 31, 2023, the Term Loans have been drawn in full.

EIB Loans

From time to time, TIM receives term loans from the European Investment Bank ("**EIB**") for financing specific infrastructure development projects. As of December 31, 2023, TIM had outstanding borrowings under:

- a loan agreement dated as of November 25, 2019 in an aggregate principal amount of €350 million (the "**2019 EIB Loan**"), as increased pursuant to an incremental loan agreement dated as of May 19, 2021, in an additional aggregate principal amount of €120 million (the "**2021 Incremental EIB Loan**");

- a loan agreement dated as of May 19, 2021, in an aggregate principal amount of €230 million (the "**2021 EIB Loan**"); and

- a loan agreement dated as of May 5, 2023, in an aggregate principal amount of €360 million, which is backed by a 60% SACE Guarantee (the "**2023 EIB Loan**" and, together with the 2019 EIB Loan, the 2021 Incremental EIB Loan and the 2021 EIB Loan, the "**EIB Loans**").

The 2019 EIB Loan, the 2021 Incremental EIB Loan and the 2021 EIB Loan are partially secured.

As of December 31, 2023, each of the EIB Loans has been fully drawn.

The EIB Loans contain customary mandatory redemption events, such as change of laws or illegality, and certain market standard covenants each subject to certain significant exceptions and qualifications, including the undertaking not to pledge TIM's assets as collateral for loans (negative pledge), the undertaking not to change TIM's business purpose and customary information undertakings. Additionally, the EIB Loans also contain, among others, the following covenants, undertakings and mandatory redemption events:

- In the event of any change of control (as defined under the EIB Loans) EIB has the right to cancel the commitments and/or request the immediate repayment of all outstanding loans. TIM has undertaken to inform EIB of any change of control that is due to occur;

- TIM has undertaken to notify EIB of any merger or de-merger transactions (except for transactions among the members of the TIM Group). Following consultations with TIM, EIB has the right to cancel the commitments and/or request the immediate repayment of all outstanding loans, if such transaction is deemed to be prejudicial to EIB's credit position or to the Projects; and

- Subject to certain exceptions provided under the EIB Loans, TIM has undertaken not to sell, transfer or confer assets or business segments.

- TIM has undertaken to ensure that, for the entire duration of the EIB Loans, the total financial debt of TIM Group (excluding TIM), unless the debt is fully and irrevocably guaranteed by TIM, is lower than 35% of the TIM Group's total financial debt; and

- *"Inclusion clause,"* under which, subject to certain exceptions relating to subsidized loans (*finanziamenti agevolati*) as defined under the EIB Loans, TIM has agreed that if it is required to comply with financial covenants pursuant to other facilities agreement that are not present or are more restrictive and/or favorable than those granted to EIB, EIB will have the right, if it considers such covenants prejudicial, to (i) request the provision of additional guarantees, (ii) agree additional amendments to the EIB Loans to incorporate such covenant into the EIB Loans or (iii) agree to any alternative solution.

- *Network event*: in the event of the disposal of the entire fixed network or a substantial part of it (in any case, more than half in quantitative terms) to third parties not controlled by the TIM Group, 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 has undertaken to immediately notify EIB, which, following consultations with TIM, may then opt to demand additional guarantees or amendments to the EIB Loans or to agree to an alternative solution. If such requests are not satisfied within 30 days, EIB has the right to cancel the commitments and/or request the immediate repayment of all outstanding loans.

FiberCop Term Loan

On December 23, 2021, FiberCop, as borrower, entered into a euro-denominated facility agreement with, *inter alios*, certain lenders party thereto and UniCredit S.p.A., as agent, (the "**FiberCop Term Loan Agreement**") providing for a term loan facility in an aggregate principal amount of €1,500 million (the "**FiberCop Term Loan**"). As of the date of this Exchange Offer Memorandum, the FiberCop Term Loan has been drawn in full.

The FiberCop Term Loan will mature five years after December 23, 2021. FiberCop is required to repay the FiberCop Term Loan in full on maturity.

The FiberCop Term Loan is not supported by guarantees and the obligations of FiberCop under the FiberCop Term Loan Agreement are unsecured, ranking *pari passu* with the claims of all its unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law.

The FiberCop Term Loan Agreement includes a financial maintenance covenant based on FiberCop's Leverage Ratio (as defined in the FiberCop Term Loan Agreement). The FiberCop Term Loan Agreement contains certain customary representations and warranties, affirmative covenants, certain negative covenants, events of default and mandatory prepayment events, such as change of control and sale of assets (each as defined in the FiberCop Term Loan Agreement). If an event of default occurs, the lenders under the FiberCop Term Loan will be entitled to take various actions, including the acceleration of amounts due under the FiberCop Term Loan.

In connection with FiberCop Term Loan, FiberCop is in the process of submitting a waiver request to the agent to obtain the lenders' consent to waive any actual or potential breach of any clause of the FiberCop Term Loan, or any event of default or mandatory early redemption provisions set out thereunder, that would otherwise arise as a result of the completion of the Acquisition and to undertake not to exercise any rights and remedies they may have under the

FiberCop Term Loan on completion of the Acquisition, and waive the provisions in terms of mandatory early redemption under the FiberCop Term Loan that might arise as a result of the completion of the Acquisition, with the effect that any amount under the FiberCop Term Loan that would immediately be payable by FiberCop under the FiberCop Term Loan will not automatically become due and payable on the closing of the Acquisition, *provided* that FiberCop will repay any such amounts due in full, together with any accrued interest, within 60 days of the Acquisition Closing Date. In the event that the waiver request is not granted, it is understood that Optics will repay the loan promptly in connection with the completion of the Acquisition. Any necessary funds to proceed with such repayment are expected to be made available to FiberCop by Optics on the basis of drawings to be made under the Senior Facilities Agreement and Senior Bridge Facility Agreement.

TIM S.A. Loans

As of December 31, 2023, TIM S.A. has entered into the following loan agreements (together, the "**TIM S.A. Loan Agreements**" and the loans borrowed thereunder, collectively, the "**TIM S.A. Loans**"):

- loan agreement, dated as of December 23, 2015, between Finnish Export Credit as lender, KfW IPEX as facility agent, TIM Celular (which has been merged into TIM S.A.) as borrower and TIM Participações S.A. (which has also been merged into TIM S.A.) as guarantor, in an aggregate principal amount of $150 million (the "**Finnish Export Credit Loan Agreement**"). After the merge of TIM Celular and TIM Participações S.A. into TIM S.A., the loan agreement has only TIM S.A. as borrower and no guarantor. The loan agreement is divided in three tranches of up to $50 million to be disbursed in 2016, 2017 and 2018. On April 20, 2016, the first tranche of $45 million was disbursed. The second tranche of $48 million was disbursed on April 20, 2017 and the third tranche of $40 million was disbursed on September 17, 2018. As of December 31, 2023, the total outstanding amount under this credit agreement, converted from U.S. dollars and including accrued interest, was BRL 125 million and there will be no more disbursements. The agreements mature on January 2, 2024, December 31, 2024 and December 30, 2025, respectively;

- credit agreement, dated as of May 2, 2018, between Banco Nacional de Desenvolvimento Econômico e Social ("**BNDES**") as lender and TIM Celular (which has been merged into TIM S.A.) as borrower, an aggregate principal amount of BRL 1,500 million, comprising three credit lines with equal conditions of interest rates and tenors: (a) Credit Line A, in an aggregate principal amount of BRL 1,090 million and eight years tenor; (b) Credit Line B, in an aggregate principal amount of BRL 390 million and eight years tenor; and (c) Credit Line C, in an aggregate principal amount of BRL 20 million and eight years tenor (the "**BNDES Loan Agreement**"). On November 4, 2022, TIM S.A. drew down a total amount of BRL 311.4 million under the BNDES Credit Line A and BRL 7.8 million under the BNDES Credit Line C. In March 2019, the Credit Line B, was substituted by a new credit agreement with different conditions with Agência Especial de Financiamento Industrial S.A. ("**FINAME**") (listed below). As of December 31, 2023, the total amount under this credit agreement was BRL 188 million;

- credit agreement, dated as of March 20, 2019, between FINAME, an entity within the BNDES system, as lender and TIM S.A. as borrower, in an aggregate principal amount of BRL 390 million (the "**FINAME Loan Agreement**"). TIM S.A. has drawdown a total amount of BRL 390 million under the credit line. This agreement replaces the Credit Line B of the BNDES Loan Agreement with better interest rate and maturity conditions and has a maturity up to 10 years. There were no additional costs to sign this loan and was fully disbursed in November 2021. As of December 31, 2023, the total outstanding amount under this credit agreement was BRL 392 million;

- credit agreement, dated as of January 31, 2020, between Banco do Nordeste do Brasil S.A. as lender and TIM S.A. as borrower, in an aggregate principal amount of BRL 752.5 million, that is secured by a bank guarantee and certain receivables (the "**BNB Loan Agreement**"). The credit agreement has a total term of eight years, with three years of grace period and five years of amortization period and is divided in two tranches of BRL325 million and BRL 427 million, respectively. On May 10, 2022, TIM S.A. drew down a total amount of BRL 249 million under this credit line. As of December 31, 2023, the total outstanding amount under this credit agreement was BRL 206 million;

- credit agreement, dated as of April 1, 2021, between BNP Paribas as lender and TIM S.A. as borrower, in an aggregate principal amount of $87.7 million and term of 2.8 years. (the "**BNP Loan Agreement**"). Disbursement occurred on April 8, 2021. As of December 31, 2023, the total outstanding amount under this credit agreement was BRL 515 million; and

- credit agreement, dated as of April 1, 2021, between The Bank of Nova Scotia as lender and TIM S.A. as borrower, in an aggregate principal amount of $100 million and term of three years (the "**2021 BNS Loan Agreement**"). Disbursement occurred on April 22, 2021. As of December 31, 2023, the total outstanding amount under this credit agreement was BRL 486 million.

TIM Group Bonds

The following table lists the outstanding bonds issued by the TIM Group as of December 31, 2023:

Currency	Total	Nominal repayment Amount	Coupon	Issue date	Maturity Date	Issue Price
	(millions)	(millions in euros)[1]				(%)
Bonds issued by TIM						
Euro*[6]	450[2]	450[2]	3.625%	January 20, 2016	January 19, 2024	99.632
Euro*[7]	950[3]	950[3]	4.000%	January 11, 2019	April 11, 2024	99.436
USD	1,500	1,357	5.303%	May 30, 2014	May 30, 2024	100.00
Euro*	1,000	1,000	2.750%	April 15, 2019	April 15, 2025	99.320
Euro*	1,000	1,000	3.000%	September 30, 2016	September 30, 2025	99.806
Euro*[5]	750	750	2.875%	June 28, 2018	January 28, 2026	100.00
Euro*[5]	1,000	1,000	3.625%	May 25, 2016	May 25, 2026	100.00
Euro*[5]	1,250	1,250	2.375%	October 12, 2017	October 12, 2027	99.185
Euro#[5]	1,250	1,250	6.875%	January 27, 2023; April 12, 2023 (*Tap*)	February 15, 2028	100; 100.750
Euro(#)[5]	1,500	1,500	7.875%	July 20, 2023; September 28, 2023 (*Tap*)	July 31, 2028	99.996; 102
Euro*[5]	1,000	1,000	1.625%	January 18, 2021	January 18, 2029	99.074
Euro*[5]	670	670	5.250%	March 17, 2005	March 17, 2055	99.667
Subtotal	—	12,177				
Bonds issued by TIF and guaranteed by TIM						
Euro[4][5]	1,015	1,015	7.750%	January 24, 2003	January 24, 2033	109.646[5]
Subtotal	—	1,015				
Bonds issued by TICAP and guaranteed by TIM						
USD[5]	1,000	905	6.375%	October 29, 2003	November 15, 2033	99.558
USD[5]	1,000	905	6.000%	October 6, 2004	September 30, 2034	99.081
USD[5]	1,000	905	7.200%	July 18, 2006	July 18, 2036	99.440
USD[5]	1,000	905	7.721%	June 4, 2008	June 4, 2038	100.00
Subtotal	—	3,620				
Bonds issued by TIM S.A.						
BRL	1,600	299	IPCA+4.168%	June 15, 2021	June 15, 2028	100.00
Subtotal	—	299				
Bonds issued by TIM Brasil Serviços e Participações S.A.						
BRL	5,000	935	CDI +2.30%	July 25, 2023	July 25, 2028	100.00
Subtotal	—	935				
Total	—	18,046				

* Notes issued under the EMTN Programme.

\# Includes €850 million aggregate principal amount of EUR Original Initial February 2028 Notes (as defined below) issued on January 27, 2023 and €400 million aggregate principal amount of EUR Original Additional February 2028 Notes (as defined below) issued on April 12, 2023.

(#) Includes €750 million aggregate principal amount of EUR Original Initial July 2028 Notes (as defined below) issued on July 20, 2023 and €750 million aggregate principal amount of EUR Original Additional July 2028 Notes (as defined below) issued on September 28, 2023.

(1) The exchange rate used for the translation of BRL into Euros (expressed in terms of units of BRL per €1) is 5.34964; the exchange rate used for the translation of U.S. Dollar into Euro (expressed in terms of units of U.S. Dollars per €1) is 1.1050.

(2) Initial amount €750,000,000 repurchased for €300,000,000 on July 20, 2023.

(3) Initial amount €1,250,000,000 repurchased for €300,014,000.00 on July 20, 2023.

(4) Weighted average issue price for bonds issued with multiple tranches.

(5) Original Notes which will be offered as part of the Exchange Offers.

(6) Repaid in full at maturity on January 19, 2024.

(7) Repaid in full at maturity on April 11, 2024.

The notes issued by TIM, Telecom Italia Finance and Telecom ltalia Capital do not contain any financial covenants or clauses that result in the automatic early redemption of the bonds in relation to events other than the insolvency of the TIM Group. Furthermore, the repayment of the notes and the payment of interest thereon are not covered by any specific guarantees nor are there commitments provided relating to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM for the bonds issued by Telecom Italia Finance and Telecom Italia Capital, as further detailed below.

TIM Bonds

Existing Notes

On May 30, 2014, TIM issued $1,500 million aggregate principal amount of 5.303% senior notes due 2024 (the "**2024 Dollar Notes**"). The 2024 Dollar Notes mature on May 30, 2024. Interest on the 2024 Dollar Notes is payable semi-annually in cash on each May 30, and November 30, commencing November 30, 2014. The 2024 Dollar Notes are listed on the Irish Stock Exchange.

On January 27, 2023, TIM issued €850 million aggregate principal amount of 6.875% senior notes due on February 2028 (the "**EUR Original Initial February 2028 Notes**"). On April 12, 2023, TIM issued €400 million aggregate principal amount of additional senior notes to be consolidated and form a single series with the Original February 2028 Euro Notes (the "**EUR Original Additional February 2028 Notes**," together with the Original February 2028 Euro Notes, the "**EUR Original February 2028 Notes**"). The 2028 February Euro Notes mature on February 15, 2028. Interest on the 2028 February Euro Notes is payable semi-annually on each February 15, and August 15, commencing August 15, 2023. The 2028 February Euro Notes are listed on the Exchange.

On July 20, 2023, TIM issued €750 million aggregate principal amount of 7.875% notes due on July 2028 (the "**EUR Original Initial July 2028 Notes**"). On September 28, 2023, TIM issued €750 million aggregate principal amount of additional senior notes to be consolidated and form a single series with the Original July 2028 Euro Notes (the "**EUR Original Additional July 2028 Notes**," together with the Original July 2028 Euro Notes, the "**EUR Original July 2028 Notes**" and, together with the 2024 Dollar Notes, the EUR Original February 2028 Notes, the "**Existing Notes**"). The EUR Original July 2028 Notes will mature on July 31, 2028. Interest on the EUR Original July 2028 Notes is payable semi-annually on each January 31, and July 31, commencing January 31, 2024. The EUR Original July 2028 Notes are listed on the Exchange.

The indenture governing the 2024 Dollar Notes and the trust deeds governing the EUR Original February 2028 Notes and the EUR Original July 2028 Notes contain certain covenants, agreements and events of default, including limitations on the ability of TIM to (i) create liens; and (ii) engage in mergers or consolidations, in each case subject to certain exceptions.

The Existing Notes: are general unsecured obligations of TIM; (b) rank *pari passu* in right of payment to any existing and future with all existing and future senior indebtedness of TIM; (c) are senior in right of payment to all future subordinated indebtedness of TIM; (d) are effectively subordinated to all existing and future secured indebtedness of TIM to the extent of the value of the assets securing such indebtedness; and (c) are structurally subordinated to all existing and future indebtedness and other claims and liabilities, including preferred stock, of subsidiaries of TIM.

The covenants of the Existing Notes are substantially consistent with the covenants applicable to the Notes, as further described in "*Conditions of the Notes*" included elsewhere in this Exchange Offer Memorandum.

The terms and conditions of the Existing Notes contain a provision restricting the ability of TIM 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*) of the terms and conditions of the notes of the EUR Original February 2028 Notes and of the EUR Original July 2028 Notes.

The terms and conditions of the Existing Notes also contain provisions relating to certain events constituting a "Change of Control" or a "Network Event" in relation to TIM. Upon the occurrence of an event constituting a Change of Control or a Network Event (each as defined in Condition 6.5 (Redemption at the Option of the Holders on the Occurrence of a Change of Control and Network Event) of the terms and conditions of the EUR Original February 2028 Notes and of the EUR Original July 2028 Notes), each holder of the Existing Notes shall have the option to require TIM to redeem (or, at TIM's option, to purchase) the Existing Notes held by it (in whole but not in part) at 101% of their principal amount together with interest accrued to (but excluding) the date of redemption.

EMTN Programme

The TIM Group has established several Euro Medium Term Note Programmes, supplemented by supplements over the years, (as renewed from time to time, the "**EMTN Programme**") including, among others:

- prospectus dated February 17, 2005 (the "**2005 Long-Term Prospectus**");
- prospectus dated June 30, 2015, as supplemented by the supplement dated January 4, 2016 and May 17, 2016, (collectively, the "**2015 Prospectus**");
- prospectus dated July 8, 2016, as supplemented by the supplements dated July 8, 2016, September 12, 2016 and January 4, 2017, (collectively, the "**2016 Prospectus**");
- prospectus dated July 13, 2016 as supplemented by the supplement dated October 4, 2017, (collectively, the "**2017 Prospectus**");
- prospectus dated June 8, 2018, as supplemented by the supplements dated October 5, 2018, December 10, 2018, January 4, 2019 and April 4, 2019, (collectively, the "**2018 Prospectus**"); and
- prospectus dated June 18, 2020, as supplemented by the supplements dated September 15, 2020 and January 8, 2021, (collectively, the "**2020 Prospectus**"), (collectively, the "**Prospectuses**").

TIM issues notes under the EMTN Programme from time to time, as described below (the "**EMTNs**"). The EMTN Programme permits issuance of notes in any currency.

The EMTNs: (a) are general unsecured obligations of the Issuer; (ii) rank *pari passu* in right of payment to any existing and future with all existing and future senior indebtedness of TIM; (iii) are senior in right of payment to all future subordinated indebtedness of the Issuer; (iv) are effectively subordinated to all existing and future secured indebtedness of TIM to the extent of the value of the assets securing such indebtedness; and (v) are structurally subordinated to all existing and future indebtedness and other claims and liabilities, including preferred stock, of subsidiaries of TIM.

The Prospectuses also contains certain covenants, agreements and events of default, including, subject to certain significant exceptions and qualifications, limitations on the ability of TIM to: (i) create or permit to subsist Security Interest, other than Permitted Encumbrances, or secure Capital Market Indebtedness (each, as defined in the respective Prospectuses); (ii) sell or lease all or substantially all of its assets; (iii) buy or lease all or substantially all of the assets of another company; (iii) engage in mergers or consolidations, in each case subject to certain exceptions. The EMTNs are governed by the laws of England and Wales.

2024 3.625% Euro Notes

On January 20, 2016, TIM issued €750 million aggregate principal amount of notes under the 2015 Prospectus, at an issue price of 99.632% (the "**2024 3.625% Euro Notes**"). The 2024 3.625% Euro Notes matured and were redeemed in full on January 19, 2024. Interest on the 2024 3.625% Euro Notes was payable annually on January 19, commencing January 19, 2017. The 2024 3.625% Euro Notes were listed on the Exchange.

On July 20, 2023, TIM repurchased for cash €300 million of the 2024 3.625% Euro Notes in accordance with the terms and conditions of the tender offer memorandum, dated July 11, 2023.

2024 4% Euro Notes

On January 11, 2019, TIM issued €1,250 million aggregate principal amount of notes under the 2018 Prospectus, at an issue price of 99.436% (the "**2024 4% Euro Notes**"). The 2024 4% Euro Notes matured and have been repaid on April 11, 2024. Interest on the 2024 4% Euro Notes is payable annually on April 11, commencing April 11, 2019. The 2024 4% Euro Notes are listed on the Exchange.

On July 20, 2023, TIM repurchased for cash €300.014 million of the 2024 4% Euro Notes in accordance with the terms and conditions of the tender offer memorandum, dated July 11, 2023.

2025 2.75% Euro Notes

On April 15, 2019, TIM issued €1,000 million aggregate principal amount of notes under the 2018 Prospectus, at an issue price of 99.320% (the "**2025 2.75% Euro Notes**"). The 2025 2.75% Euro Notes will mature on April 15, 2025. Interest on the 2025 2.75% Euro Notes is payable annually on April 15, commencing April 15, 2020. The 2025 2.75% Euro Notes are listed on the Exchange.

2025 3% Euro Notes

On September 30, 2016, TIM issued €1,000 million aggregate principal amount of notes under the 2016 Prospectus, at an issue price of 99.806% (the "**2025 3% Euro Notes**"). The 2025 3.000% Euro Notes will mature on September 30, 2025. Interest on the 2025 3% Euro Notes is payable annually on September 30, commencing September 30, 2017. The 2025 3% Euro Notes are listed on the Exchange.

2026 2.875% Euro Notes

On June 28, 2018, TIM issued €750 million aggregate principal amount of notes under the 2018 Prospectus, at an issue price of 100% (the "**2026 2.875% Euro Notes**"). The 2026 2.875% Euro Notes will mature on January 28, 2026. Interest on the 2026 2.875% Euro Notes is payable annually on January 28, commencing January 28, 2019. The 2026 2.875% Euro Notes are listed on the Exchange.

2026 3.625% Euro Notes

On May 25, 2016, TIM issued €1,000 million aggregate principal amount of notes under the 2015 Prospectus, at an issue price of 100% (the "**2026 3.625% Euro Notes**"). The 2026 3.625% Euro Notes will mature on May 25, 2026. Interest on the 2026 3.625% Euro Notes is payable annually on May 25, commencing May 25, 2017. The 2026 3.625% Euro Notes are listed on the Exchange.

2027 Euro Notes

On October 12, 2017, TIM issued €1,250 million aggregate principal amount of notes under the 2017 Prospectus, at an issue price of 99.185% (the "**2027 Euro Notes**"). The 2027 Euro Notes will mature on October 12, 2027. Interest on the 2027 Euro Notes is payable annually on October 12, commencing October 12, 2018. The 2027 Euro Notes are listed on the Exchange.

2029 Euro Notes

On January 18, 2021, TIM issued €1,000 million aggregate principal amount of notes under the 2020 Prospectus, at an issue price of 99.074% (the "**2029 Euro Notes**"). The 2029 Euro Notes will mature on January 18, 2029. Interest on the 2029 Euro Notes is payable annually on January 18, commencing January 18, 2022. These 2029 Euro Notes are listed on the Exchange. The net proceeds from the issue of the 2029 Euro Notes were committed to be used to finance or refinance, in whole or in part, existing or new eligible green and social projects in accordance with TIM Group Sustainability Financing Framework.

2055 Euro Notes

On March 17, 2005, TIM issued €850 million aggregate principal amount of notes under the 2005 Long-Term Prospectus, at an issue price of 99.667% (the "**2055 Euro Notes**"). The 2055 Euro Notes will mature on March 17, 2055. Interest on the 2055 Euro Notes is payable annually on March 17. The 2055 Euro Notes are listed on the Exchange.

TICAP Bonds

As of December 31, 2023, the outstanding notes issued by Telecom Italia Capital and guaranteed by TIM comprise: (a) $1,000 million aggregate principal amount of 6.375% senior guaranteed notes due 2033 (the "**2033 TICAP Bonds**"); (b) $1,000 million aggregate principal amount of 6.000% senior guaranteed notes due 2034 (the "**2034 TICAP Bonds**"); (c) $1,000 million aggregate principal amount of 7.200% senior guaranteed notes due 2036 (the "**2036 TICAP Bonds**"); and (d) $1,000 million aggregate principal amount of 7.721% senior guaranteed notes due 2038 (the "**2038 TICAP Bonds**"). The 2033 TICAP Bonds, 2034 TICAP Bonds, 2036 TICAP Bonds and the 2038 TICAP Bonds are collectively referred to herein as the "**TICAP Bonds**."

The TICAP Bonds are senior unsecured obligations of Telecom Italia Capital and are guaranteed on a senior basis by TIM.

The indentures governing the TICAP Bonds contain certain covenants, agreements and events of default, including limitations on the ability of TIM and Telecom Italia Capital to (i) create encumbrances; and (ii) engage in mergers or consolidations, in each case subject to certain exceptions. The TICAP Bonds are governed by the laws of the State of New York.

TIF Bonds

As of December 31, 2023, the outstanding notes issued by Telecom Italia Finance and guaranteed by TIM comprise of $1,015 million aggregate principal amount of 7.750% senior guaranteed notes due 2033 (the "**TIF Bonds**"). The TIF Bonds were issued from time to time under: (i) Euro Medium Term Note Programme established under prospectus dated February 17, 2005, as supplemented by supplement dated June 28, 2005 (collectively the "**2005 TIF Prospectus**"); and (ii) Euro Medium Term Note Programme established under offering circular dated May 14, 2002 (which had replaced offering circular dated June 8, 2001), as supplemented by supplements dated January 23, 2003 and January 31, 2003 issued by Olivetti S.p.A., Olivetti Finance N.V. and Olivetti International Finance N.V. (collectively, the "**Olivetti Prospectus**"). Telecom Italia Finance had assumed the liabilities of Olivetti Finance N.V. and Olivetti International Finance N.V. pursuant to corporate reorganization in 2004.

The TIF Bonds are senior unsecured obligations of Telecom Italia Finance and are guaranteed on a senior basis by TIM.

The 2005 TIF Prospectus governing the TIF Bonds contain certain covenants, agreements and events of default, including, subject to certain significant exceptions and qualifications, limitations on the ability of TIM and Telecom Italia Finance to (i) create or permit to subsist Security Interest, other than Permitted Encumbrances, or secure Capital Market Indebtedness (each, as defined in the 2005 TIF Prospectus); (ii) sell or lease all or substantially all of its assets; (iii) buy or lease all or substantially all of the assets of another company; and (iii) engage in mergers or consolidations, in each case subject to certain exceptions. The Olivetti Prospectus governing the TIF Bonds contain certain covenants, agreements and events of default, including, subject to certain significant exceptions and qualifications, limitations on

the ability of TIM and Telecom Italia Finance to create or permit to subsist Security Interest (as defined in the Olivetti Prospectus). The TIF Bonds are governed by the laws of England and Wales.

TIM S.A. Bond

On June 15, 2021, TIM S.A. issued sustainability-linked simple and unsubordinated, not convertible into shares, debentures (*Instrumento Particular de Escritura de Emissão de Debêntures Simples, da Espécie Quirografária, não Conversíveis em Ações*) in an aggregate principal amount of BRL 1,600 million through a public placement, with Pentágono Distribuidora de Títulos e Valores Mobiliários S.A., acting as the fiduciary agent (the "**TIM S.A Bonds**"). The TIM S.A. Bonds will mature on June 16, 2028.

The indenture governing the TIM S.A. Bonds includes certain ESG commitments by TIM S.A., including: (i) TIM S.A. establishing a 4G presence in 100% of Brazilian municipalities by December 2023; and (ii) TIM S.A. increasing by 80% or more the eco-efficiency in data traffic (bit/joule) by December 2025, compared to the base year of 2019.

TIM Brasil Serviços e Participações S.A Bond

On July 25, 2023, TIM Brasil Serviços e Participações S.A. issued simple and unsubordinated debentures, not convertible into shares, (*Instrumento Particular de Escritura de Emissão de Debêntures Simples, da Espécie Quirografária, não Conversíveis em Ações, com garantia real*) in an aggregate principal amount of BRL 5,000 million through a public placement, with Pentágono Distribuidora de Títulos e Valores Mobiliários S.A., acting as the fiduciary agent (the "**TIM Brasil Serviços e Participações S.A. Bond**"). The TIM Brasil Serviços e Participações S.A. Bonds will mature on July 25, 2028. The debentures are non-convertible and unsubordinated.

Exchange Rate Risk Hedging

As of December 31, 2023, the exchange rate risk of the Existing Notes, EMTNs, TICAP Bonds and TIF Bonds denominated in currencies other than Euro was hedged in full by the TIM Group. Details of the hedges are indicated in the table below:

Denomination Currency	Nominal Amount in Denomination Currency	End of Period	Rate Applied	Interest Period	Hedging of Notional Amount in euro (million)	Hedging of rate in euro
USD	1,500	May-2024	5.303%	Semi-annual	1,321	4.180%
USD	1,000	Nov-2033	6.375%	Semi-annual	849	5.994%
USD	1,000	Sep-2034	6.000%	Semi-annual	794	4.332%
USD	1,000	Jul-2036	7.200%	Semi-annual	791	5.884%
USD	1,000	Jun-2038	7.721%	Semi-annual	645	7.451%

DESCRIPTION OF CERTAIN OTHER FINANCING ARRANGEMENTS OF THE OPTICS GROUP

The following contains a summary of the terms of the Optics' Group key items of indebtedness and is presented, unless otherwise indicated, as of the date hereof. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalized terms not otherwise defined in this section or in this Exchange Offer Memorandum shall, unless the context otherwise requires, have the same meanings set out in the underlying debt documents, as applicable.

Senior Facilities Agreement and Bridge Facility Agreement

Overview

On December 19, 2023, Optics Bidco S.p.A. (the "**Company**") entered into a senior secured term and revolving facilities agreement between, among others, Banco BPM S.p.A., Bank of America Europe Designated Activity Company, Banco Bilbao Vizcaya Argentaria S.A., Milan Branch, BNP Paribas, Italian Branch, BPER Banca S.p.A., Caixabank, S.A., Succursale in Italia, CIBC Capital Markets (Europe) S.A., Citibank, N.A. London Branch, Crédit Agricole Corporate and Investment Bank, Milan Branch, Deutsche Bank Aktiengesellschaft, Deutsche Bank Luxembourg S.A., J.P. Morgan SE, Mediobanca – Banca di Credito Finanziario S.p.A., Mizuho Bank, Ltd., Morgan Stanley Bank AG, MUFG Bank, Ltd. - Milano Branch, National Westminster Bank Plc, Natixis S.A. – Milan Branch, SMBC Bank EU AG Milan Branch, Société Générale and UniCredit S.p.A. as mandated lead arrangers and UniCredit S.p.A. as facility agent and security agent (the "**Facility Agent**" and "**Security Agent**") (as amended pursuant to an amendment and restatement agreement dated April 8, 2024, the "**Senior Facilities Agreement**").

Also on December 19, 2023, the Company entered into a senior bridge facility agreement between, among others, Banco BPM S.p.A., BNP Paribas, Italian Branch, BPER Banca S.p.A., Crédit Agricole Corporate and Investment Bank, Milan Branch, J.P. Morgan SE, Mizuho Bank, Ltd., MUFG Bank, Ltd. - Milano Branch, Natixis S.A. – Milan Branch, SMBC Bank EU AG Milan Branch, Société Générale and UniCredit S.p.A. as mandated lead arrangers, the Facility Agent and the Security Agent (as amended pursuant to an amendment and restatement agreement dated April 8, 2024, the "**Senior Bridge Facility Agreement**").

The Senior Facilities Agreement provides a euro term loan facility (the "**TLB**") to the Company as original borrower (the "**Borrower**") and a revolving facility (the "**RCF**," and together with the TLB, the "**Credit Facilities**" or the "**Facilities**") to the Company as Borrower and original guarantor. The Senior Bridge Facility Agreement provides a euro term loan facility (the "**Bridge**") to the Company as Borrower and original guarantor. The total commitments under the TLB and the Bridge are equal in aggregate to €8.5 billion (which, as at the signing date of the Senior Facilities Agreement and the Senior Bridge Facility Agreement, comprised of €5 billion under the TLB and €3.5 billion under the Bridge. The total commitments under the RCF are equal to €2 billion. The Senior Facilities Agreement and the Senior Bridge Facility Agreement contain the ability for the Company (prior to the Push-Down Merger and, following the Push-Down Merger, any member of the Group) to incur indebtedness (which may be in the form of loans, bonds or notes) for the purpose of directly or indirectly, or otherwise in connection with or pursuant to, refinancing or replacing of all or any portion of the TLB, the Bridge, the RCF, any additional facility incurred under the Senior Facilities Agreement and/or any other permitted refinancing from time to time, in each case, including any indebtedness incurred for the purpose of the payment of principal, interest, fees, discounts, expenses, commissions, swap breakage costs, premium or other similar amounts payable under or in connection with the permitted refinancing and any amount of the Bridge, the TLB, RCF, any additional facility incurred under the Senior Facilities Agreement and/or any other permitted refinancing, as the case may be, being refinanced or replaced and any fees, costs and expenses incurred in connection therewith, subject to certain conditions set out in the Senior Facilities Agreement. On January 17, 2024, the Company exercised an option in relation to the Senior Facilities Agreement and the Senior Bridge Facility Agreement to decrease the TLB and increase the Bridge by an amount equal to €1 billion (the "**Pre-Syndication Toggle**"), such that, as at the date of this Exchange Offer Memorandum, the total commitments under the TLB are equal to €4 billion and the total commitments under the Bridge are equal to €4.5 billion following the exercise of the Pre-Syndication Toggle.

The Senior Facilities Agreement and the Senior Bridge Facility Agreement include provisions relating to a cancellation of commitments under the TLB and/or the Bridge in connection with any exchange offer, debt exchange, liability management exercise, consent process or other similar transaction undertaken by TIM and/or the Group prior to the

closing date which results in the incurrence by the Group of financial indebtedness as a result of an exchange, transfer or assumption of indebtedness incurred by TIM or any of its affiliates (other than the Group) (a "**Liability Management Exercise**"). The Company shall cancel, or offer to cancel, the Senior Bridge Facility and the TLB by an amount equal to the principal amount of financial indebtedness incurred or to be incurred in the context of the Liability Management Exercise. The Company shall promptly (and in any event within 10 business days) of becoming aware of the occurrence of the Liability Management Exercise Unconditional Date, notify the Facility Agent of the occurrence of such Liability Management Exercise Unconditional Date, the LM Amount, and the amount of each of the TLB and the Bridge that it proposes to cancel in order to ensure that the TLB and the Bridge are in aggregate cancelled in an amount not less than the LM Amount (subject to the opt-out described below).

The Company may also offer TLB Lenders and Bridge Lenders the option of electing that such Lenders' TLB commitments and/or Bridge commitments (as applicable) are not cancelled in the amount of their pro-rata share. If the relevant TLB Lender and/or Bridge Lender (as applicable) exercises such opt-out option and such opt-out option causes the relevant leverage ratio as at the first utilization date to exceed the Lock-Up Adjusted Leverage Ratio, (as projected by the Company in good faith), the amount of the opt-out option of the TLB Lenders and/or the Bridge Lenders (as applicable) shall be reduced to the extent required such that the relevant leverage ratio as of the first utilization date (as projected by the Company in good faith on a pro forma basis taking into account such cancellation and assuming the remaining commitments under the TLB and the Bridge are drawn in full on the first utilization date) shall not exceed the Lock-Up Adjusted Leverage Ratio. The "**Lock-Up Adjusted Leverage Ratio**" means the ratio of total net debt on the last day of the most recently ended measurement period to adjusted reported EBITDA for that measurement period, calculated on a pro forma basis, not being greater than 7.5:1.

Senior Facilities Agreement

Purpose

Borrowings funded under the TLB have been applied towards (directly or indirectly):

(a) financing or refinancing any amounts payable under or in connection with (i) the contribution of the network business of TIM S.p.A. to FiberCop S.p.A. ("**NetCo**") (the "**Contribution**") and (ii) the acquisition by the Company of the shares in NetCo, (iii) the refinancing of certain indebtedness of the Company and its subsidiaries (the "**Group**"), of NetCo and its subsidiaries (the "**NetCo Group**") and (iv) the other transactions contemplated by the transaction documents (in each case including the financing thereof) (the "**Transaction**");

(b) refinancing (including by way of intercompany loan) any indebtedness of the Group (together with any related costs and expenses), including any indebtedness owing to TIM S.p.A. and existing indebtedness of NetCo;

(c) financing or refinancing all transaction costs in connection with the Transaction; and/or

(d) financing or refinancing the general corporate purposes and/or working capital requirements of the Group, *provided* that the TLB may only be used to fund dividends or distributions to the shareholders of the Borrower or for purposes described in this paragraph (d) to the extent there are amounts available after refinancing the existing indebtedness of the Group.

Borrowings under the RCF may be applied towards (directly or indirectly) the general corporate and working capital purposes of the Group (including, for the avoidance of doubt, capital expenditure, acquisitions, guarantee or bonding requirements, investments and taxes). The RCF may be drawn in cash or letter of credit and can be made available by lenders thereunder way of bilateral ancillary facility and fronted ancillary facilities. The RCF is available until the date falling one month before the maturity date of the RCF (being 60 months after the first utilization date under the Senior Facilities Agreement).

Repayments and prepayments

Repayment of the TLB is due on the date falling 60 months after the first utilization date under the Senior Facilities Agreement.

Repayment of loans drawn under the RCF and related interest payments will be due and payable at the end of the interest period for each loan. The applicable interest period is selected in the relevant utilization request or selection notice and will either be one, three or six months subject to certain exceptions.

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the Senior Facilities Agreement, such lender under the Senior Facilities Agreement will have the right to cancel its commitments. Each Borrower shall repay the relevant lender's participation in any loans made to that Borrower on the date specified by the relevant lender in the notice delivered to the Company (being no earlier than the last Business Day of any applicable grace period permitted by law).

On a change of control or sale of all or substantially all of the assets of the Group (taken as a whole), a lender may, by notice to the Company to be received not later than the date that is 30 days after the date on which the Agent was notified of such event, cancel all of its commitments and declare all outstanding amounts owed to it due and payable within 15 Business Days of the notice.

In addition, the Senior Facilities Agreement requires that, in respect of each financial half-year of the Company starting from the seventh full financial half-year occurring after the first utilization date under the TLB, a mandatory prepayment of loans under the TLB is made in an amount equal to a percentage of excess cash flow (net of a minimum threshold amount and the amount of any voluntary prepayments made during such financial year and amounts reinvested in the business of the Group within certain time limits and certain other permitted uses of such amounts).

Additional mandatory prepayment provisions include mandatory prepayment of the net proceeds received in cash in respect of the net proceeds of (i) disposals; (ii) insurance claims; and (iii) claims under the due diligence reports and the TIM Transaction Documents, in each of the above cases subject to certain exclusions and subject to a minimum annual threshold.

The Senior Facilities Agreement allows for voluntary prepayments (subject to de minimis amounts).

Interest and fees

Borrowings under both the TLB and the RCF initially bear interest at a rate equal to the aggregate of EURIBOR and a margin of 2.25% per annum. EURIBOR has a zero floor under the Senior Facilities Agreement. Borrowings under both the TLB may also bear interest at a rate equal to Term SOFR for loans denominated in U.S. dollars and compounded SONIA for loans denominated in sterling.

The margin for each loan under the TLB and the RCF shall step up to (i) following the second anniversary of the first utilization date up to and including the third anniversary of the first utilization date, 2.75 per cent. per annum; (ii) following the third anniversary of the first utilization date up to and including the fourth anniversary of the first utilization date, 3.00 per cent. per annum; and (iii) following the fourth anniversary of the first utilization date, 3.50 per cent. per annum.

Default interest on each of the Credit Facilities will be calculated as an additional 1.00% on the overdue amount.

Commitment fees are payable (i) in respect of the TLB, on the available and undrawn commitments under the TLB from and including the Closing Date until the end of the availability period applicable to the TLB, at a rate of 35% of the applicable margin; and (ii) in respect of the RCF, on the aggregate undrawn and uncancelled amount of the RCF, until the end of the availability period applicable to the RCF, at a rate of 35% of the applicable margin for the RCF. Commitment fees shall also be payable in respect of the TLB on available and undrawn amounts: (i) from and including the date falling 91 days after the date of the Senior Facilities Agreement to and including the date falling 180 days after the date of the Senior Facilities Agreement at the rate of 15% of the initial margin applicable to the

TLB and (ii) from the date falling 181 days after the date of the Senior Facilities Agreement until the Closing Date, at the rate of 30% of the initial margin applicable to the TLB.

Such commitment fees are payable on the Closing Date (to the extent accrued) and thereafter on the last day of each successive period of three months following the Closing Date which ends during the relevant availability period applicable to each applicable facility and, if cancelled in full, on the cancelled amount of the relevant lender's commitment at the time the cancellation becomes effective.

The Company is required to pay customary agency fees to each of the Agent and the Security Agent in connection with the Senior Facilities Agreement.

Additional Facilities

The Company may elect to request additional facilities either as a new facility or as additional tranches of the Senior Facilities Agreement (the "**Additional Facilities**"). The Company and the lenders in respect of the Additional Facilities may agree to certain terms in relation to the Additional Facilities, including the margin, the termination date (each subject to certain parameters and conditions as set out in the Senior Facilities Agreement) and the availability period thereof. Unless the indebtedness incurred is otherwise permitted under the Senior Facilities Agreement or a Release Condition (as defined below) applies, the maximum aggregate principal amount of the indebtedness outstanding under all Additional Facilities (after taking into account the application of proceeds of any relevant indebtedness) may not at any time exceed the maximum amount such that the Company would have complied with the Lock-Up Adjusted Leverage Ratio on the last accounting date preceding the date on which that Additional Facility is utilized (or, at the option of the Company, if earlier, the last accounting date preceding the date on which that Additional Facility is established), with compliance to be determined on a pro forma basis assuming any such utilization and any transaction directly or indirectly funded by that utilization has occurred on the first day of the relevant measurement period.

Guarantees

The Senior Facilities Agreement is guaranteed by the Company and by any Additional Guarantor which shall accede to the Senior Facilities Agreement from time to time. The Senior Facilities Agreement requires that (subject to agreed security principles as set out in the Senior Facilities Agreement (the "**Agreed Security Principles**") and any additional limitations on guarantees applicable under Italian law) each member of the NetCo Group which is a "Material Subsidiary" (which is generally defined under the Senior Facilities Agreement to include, among other things, any wholly owned subsidiary of the Company that has earnings before interest, tax, depreciation and amortization representing 5% or more of consolidated EBITDA of the Group) as at the first utilization date, will be required to become a guarantor under the Senior Facilities Agreement within the earlier of (a) the date falling 60 days after the Closing Date and (b) the date falling 20 business days following the envisaged reverse merger between the Company and NetCo (the "**Backstop Date**").

In addition, any member of the NetCo Group which is a Material Subsidiary (subject to the Agreed Security Principles) as at the first utilization date is required to become a guarantor under the Senior Facilities Agreement within the Backstop Date. Furthermore, the Company shall procure that on or prior to the Backstop Date (and within 60 days of each delivery of the Group's annual audited consolidated financial statements), the obligors account for at least 80% of the consolidated EBITDA of the Group (excluding the EBITDA of any member of the Group not required to become a Guarantor in accordance with the Agreed Security Principles).

Security

Subject to the Agreed Security Principles and any additional limitations applicable under mandatory provisions under Italian law, the following security interests will be granted on a first priority basis (to the extent legally possible) in favor of the Security Agent over certain assets as described below:

(a) security over the issued share capital of the Company held by Optics HoldCo (the "Parent");

(b) security over receivables arising from material intercompany loans from the Parent to the Company;

(c) security over receivables arising from material structural intercompany loans from the Company (or, after the NetCo Merger, the Parent) to NetCo, if any;

(d) security over the issued share capital of NetCo held by the Company or, following the Push-Down Merger, Optics Holdco ((on a basis whereby (a) the grant of security shall not trigger any tag-along rights in favor of any shareholder of NetCo and (b) the enforcement of such security will not be subject to any lock-up under any shareholder arrangements relating to the shares in NetCo); and

(e) security over the shares of any other Obligor.

Representations and warranties

The Senior Facilities Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, power and authority, binding obligations, non-conflict with constitutional documents, applicable laws and certain other obligations, consents and filings, litigation, labor disputes, no default, accounts, environmental warranties, intellectual properly, assets, applicable laws, taxation, information, *pari passu* ranking, security interests, guarantees and indebtedness, pension schemes group structure chart and insolvency.

Affirmative covenants

The Senior Facilities Agreement requires certain members of the Group to observe certain affirmative covenants, including:

(a) maintenance of relevant authorizations and consents;

(b) compliance with laws;

(c) payment of taxes;

(d) maintenance of *pari passu* ranking;

(e) compliance with obligations relating to pension schemes;

(f) provision of financial and other information and (in certain circumstances) granting access to books and records to the facility agent and the security agent;

(g) maintenance of intellectual property;

(h) maintenance of insurance;

(i) maintenance of guarantor and security coverage and further assurances;

(j) compliance with applicable environmental laws;

(k) using commercially reasonable endeavours to complete a merger pursuant to Article 2501-bis of the Italian Civil Code of the Company with NetCo, with NetCo as the surviving entity (the "**NetCo Merger**") within six months of the closing date; and

(l) prepayment of the existing indebtedness at the NetCo level, to be completed within 60 days of the closing date.

The Senior Facilities Agreement also contains an "information covenant" under which, among other things and in the first instance, the Company is required to deliver to the Agent annual financial statements, quarterly financial statements and compliance certificates.

Negative covenants

The Credit Facilities Agreement contains certain customary operating and financial covenants (see "—*Financial covenant*" below), subject to certain exceptions and qualifications, including covenants restricting the ability of certain members of the Group to do the following:

(a) merge with other companies;

(b) incur additional indebtedness;

(c) enter into transactions other than on arm's length basis;

(d) enter into certain hedging arrangements;

(e) make dividends and payments on subordinated debt, grant loans, guarantees or indemnities;

(f) create security over its assets;

(g) acquire other businesses or other ownership interests in entities that are not members of the Group;

(h) dispose of its assets (and any related re-investment rights or prepayment requirements in relation to such sales);

(i) engage in business which is not a similar line of business;

(j) enter into investments in any joint venture or similar arrangement; and

(k) enter into certain leasing arrangements.

Certain obligations, covenants and restrictions set out in the Senior Facilities Agreement shall be amended, suspended or shall cease to apply in the event that he long-term corporate credit rating of the Company is equal to or better than BBB- (or its equivalent) from at least two rating agencies (one of which being either Standard & Poor's or Moody's) (the "**Release Condition**").

Financial covenant

The Senior Facilities Agreement requires that the ratio of the total net debt of the Group on the last day of any measurement period ending on or after the last day of the second complete financial half-year ending after the closing date to the adjusted reported consolidated EBITDA of the Group for that measurement period shall not be greater than 9.0:1. Upon occurrence of the Release Condition, such ratio shall be adjusted to 10:1.

The Company is permitted to prevent or cure breaches of the net leverage covenant by applying a "cure" amount (generally, amounts received by the Company in cash pursuant to any new equity or permitted subordinated debt) as if consolidated EBITDA had been increased by such amount. There is no requirement to apply any cure amount in prepayment of the TLB. No cures may be applied in consecutive accounting periods, no more than four cures may be applied at the option of the Company towards the calculation of adjusted reported consolidated EBITDA or total net debt or borrowings, and no more than three cures may be applied towards the calculation of adjusted reported consolidated EBITDA.

Events of default

The Senior Facilities Agreement contains certain events of default, the occurrence of which would allow the requisite majority of lenders (under and as defined in the Senior Facilities Agreement) to, amongst other actions, accelerate all outstanding loans and terminate their commitments, including, among other events (subject in certain cases to agreed grace periods, financial thresholds and other qualifications):

(a) failure to pay off any amounts when due under the finance documents entered into in connection with the Facilities;

(b) breach of the financial covenant or failure to comply with other obligations under the finance documents;

(c) inaccuracy of a representation or statement when made (subject to materiality qualifications);

(d) cross defaults;

(e) (subject to certain thresholds) insolvency, insolvency proceedings and commencement of certain creditors' processes, such as expropriation, attachment, sequestration, distress or execution;

(f) unlawfulness, invalidity rescission and repudiation, or unenforceability of the finance documents entered into in connection with the Credit Facilities; and

(g) breach of material obligations under the Intercreditor Agreement by any holding company of the Company.

Governing law and jurisdiction

The Senior Facilities Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law and the courts of England have exclusive jurisdiction to settle any disputes arising out of or in connection with the Senior Facilities Agreement.

Bridge Facility Agreement

Purpose

Borrowings funded under the Bridge have and may be applied towards the same uses as the Senior Facilities Agreement. See "—*Senior Facilities Agreement—Purpose*" above. The Bridge is available until the date falling 60 days after the closing date.

Repayments and prepayments

The initial maturity date under the Senior Bridge Facility Agreement is the date falling 18 months and two days after the first utilization date, with the ability in certain circumstances to automatically extend the initial maturity date to the date falling 24 months after the first utilization date.

If it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the Senior Bridge Facility Agreement, such lender under the Senior Bridge Facility Agreement will have the right to cancel its commitments. The Borrower shall repay the relevant lender's participation on the date specified by the relevant lender in the relevant notice delivered to the Borrower (being no earlier than the last Business Day of any applicable grace period permitted by law).

On a change of control or sale of all or substantially all of the assets of the Group (taken as a whole), a lender may, by notice to the Company to be received not later than the date that is 30 days after the date on which the Agent was notified of such event, cancel all of its commitments and declare all outstanding amounts owed to it due and payable within 15 Business Days of the notice.

Additional mandatory prepayment provisions include mandatory prepayment of the net proceeds received in cash in respect of: (i) any disposal; (ii) any insurance claim; and (iii) claims under the due diligence reports and the TIM Transaction Documents, in each of the above cases subject to certain exclusions and above a minimum annual threshold.

The Senior Bridge Facility Agreement allows for voluntary prepayments (subject to de minimis amounts).

Interest

Borrowings under the Bridge initially bear interest at a rate equal to the aggregate of EURIBOR and a margin of 1.50% per annum. EURIBOR has a zero floor under the Senior Bridge Facility Agreement.

The margin for each loan under the Bridge shall step up to (i) following the date falling three months after the first utilization date up to and including the date falling nine months after the first utilization date, to 1.75 per cent. per annum; (ii) from the date following the date falling nine months after the first utilization date up to and including the first anniversary of the first utilization date, to 2.00 per cent. per annum, (iii) from the day following the first anniversary of the first utilization date up to and including the date falling 15 months after the first utilization date, to 2.25 per cent. per annum; (iv) from the day following the date falling 15 months after the first utilization date up to and including the date falling 18 months after the first utilization date, to 2.50 per cent. per annum; (v) from the day following the date falling 18 months after the first utilization date up to and including the date falling 21 months after the first utilization date, to 2.75 per cent. per annum; and (vi) from and following the day following the date falling 21 months after the first utilization date, to 3.25 per cent. per annum.

Default interest on the Bridge will be calculated as an additional 1.00% on the overdue amount.

Guarantees

The Senior Bridge Facility Agreement is guaranteed by the Company and by any additional Guarantor as per the Senior Facilities Agreement - see "*—Senior Facilities Agreement—Guarantees*" above. Each guarantor under the Senior Facilities Agreement will also become a guarantor under the Senior Bridge Facility Agreement.

Security

The Senior Bridge Facility Agreement is secured by the same security interests granted under the Senior Facilities Agreement - see "*—Senior Facilities Agreement—Security*" above.

Representations and warranties

The Senior Bridge Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, power and authority, binding obligations, non-conflict with constitutional documents and no default.

Affirmative covenants

The Senior Bridge Facility Agreement requires certain members of the Group to observe certain affirmative covenants, which are substantially consistent with those contained in the Senior Facilities Agreement.

The Senior Bridge Facility Agreement also contains similar "information covenants" as the Senior Facilities Agreement, under which, among other things and in the first instance, the Company is required to deliver to the Senior Facility Agent annual financial statements, quarterly financial statements and compliance certificates.

Negative covenants

The Senior Bridge Facility Agreement contains certain customary covenants, subject to certain exceptions and qualifications, which are substantially consistent with those contained in the Senior Facilities Agreement. A Release Condition also applies under the Senior Bridge Facility Agreement on terms which are consistent with those contained in the Senior Facilities Agreement.

Events of default

The Senior Bridge Facility Agreement contains certain events of default which are substantially consistent with those contained in the Senior Facilities Agreement, the occurrence of which would allow the requisite majority of lenders (under and as defined in the Senior Facilities Agreement) to, amongst other actions, accelerate all outstanding loans

and terminate their commitments, including, among other events (subject in certain cases to agreed grace periods, financial thresholds and other qualifications).

Governing law and jurisdiction

The Senior Bridge Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law and the courts of England have exclusive jurisdiction to settle any disputes arising out of or in connection with the Senior Bridge Facility Agreement.

Intercreditor Agreement

General

To establish the relative rights of certain of the Optics Group's creditors under Optics Group's financing arrangements, Optics Holdco S.r.l. (as the "**Original Investor**" and the "**Original Third Party Security Provider**"), the Company (as the "**Original Debtor**") entered into an intercreditor agreement (the "**Intercreditor Agreement**") dated December 19, 2023, with, among others, UniCredit S.p.A. (as "**Senior Facility Agent**," "**Bridge Facility Agent**" and "**Security Agent**"). The Optics Notes Trustee will accede to the Intercreditor Agreement as a Senior Notes Trustee on the Issue Date.

The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the collateral providers, when payments can be made in respect of certain debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

The Intercreditor Agreement additionally provides for Hedge Counterparties and Operating Facility Lenders (each as defined below) to receive guarantees and indemnities from the Debtors on substantially the same terms (including the relevant limitations) as such guarantees and indemnities are provided by the obligors to the finance parties under the Senior Facilities Agreement.

Capitalized terms set forth and used in this section entitled "*—Intercreditor Agreement*" have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Exchange Offer Memorandum. In particular, in this summary the term "Senior Notes" includes the indebtedness to be incurred under the Indenture and the Trust Deed in respect of the Optics Notes as defined elsewhere in this Exchange Offer Memorandum.

Definitions

The following capitalized terms used in this summary of the Intercreditor Agreement have the meaning given to them below:

"**Bridge Facility Agreement**" means the senior bridge facility agreement dated on or about the date of the Intercreditor Agreement and made between, inter alios, the Company, the Bridge Lenders and the Bridge Facility Agent.

"**Bridge Lender Discharge Date**" means the first date on which all Bridge Lender Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Bridge Lenders are under no further obligation to provide financial accommodation to any of the Debtors under any of the Bridge Facility Finance Documents.

"**Bridge Lender Liabilities**" means the Liabilities owed by the Debtors and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to the Bridge Lenders under the Bridge Facility Finance Documents.

"**Creditors**" means the Senior Secured Creditors, the Senior Parent Creditors, the Hedge Counterparties, the intra-Group lenders and the investors in the Group.

"**Enforcement Action**" means:

(a) in relation to any liabilities:

(i) the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Secured Creditor or a Senior Parent Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the debt documents);

(ii) the making of any declaration that any liabilities are payable on demand;

(iii) the making of a demand in relation to a liability that is payable on demand;

(iv) the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;

(v) the exercise of any right to require any member of the Group or any Third Party Security Provider to acquire any liability, including exercising any put or call option against any member of the Group or any Third Party Security Provider for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of the Senior Facilities Agreement (or any other similar or equivalent provision of any of the Secured Debt Documents) and/or any other acquisition of liabilities, acquisition or transaction which any member of the Group or any Third Party Security Provider is not prohibited from entering into by the terms of the Secured Debt Documents and excluding any mandatory offer arising as a result of a change of control or asset sale (howsoever described) as set out in the Senior Notes finance documents or the Senior Parent Notes Finance Documents (or any other similar or equivalent provision of any of the Secured Debt Documents);

(vi) the exercise of any right of set-off, account combination or payment netting against any member of the Group or any Third Party Security Provider in respect of any liabilities other than the exercise of any such right:

(A) as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;

(B) as payment netting by a Hedge Counterparty or by a hedging ancillary lender;

(C) as inter-hedging agreement netting by a Hedge Counterparty;

(D) as inter-hedging ancillary document netting by a hedging ancillary lender; and/or

(E) which is otherwise permitted by the terms of any of the Secured Debt Documents, in each case to the extent that the exercise of that right gives effect to a permitted payment; and

(vii) the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group or any Third Party Security Provider to recover any liabilities;

(b) the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(c) the taking of any steps to enforce or require the enforcement of any transaction security (including the crystallization of any floating charge forming part of the transaction security);

(d) the entry into any composition, compromise, assignment or similar arrangement with any member of the Group or any Third Party Security Provider which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities (other than any action permitted under the Intercreditor Agreement or any debt buy-back, tender offer, exchange offer or similar or equivalent arrangement not otherwise prohibited by the debt documents); or

(e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, examiner, administrator or similar officer) in relation to the winding up, dissolution, examinership, administration or reorganization of any member of the Group or any Third Party Security Provider which owes any liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any of such member of the Group's or such Third Party Security Provider's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group or any Third Party Security Provider, or any analogous procedure or step in any jurisdiction, except that the following shall not constitute Enforcement Action:

(i) the taking of any action falling above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or

(ii) a Senior Secured Creditor or Senior Parent Creditor bringing legal proceedings against any person solely for the purpose of: (a) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (b) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or (c) requesting judicial interpretation of any provision of any debt document to which it is party with no claim for damages; or

(iii) bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud; or

(iv) to the extent entitled by law, the taking of any action against any creditor (or any agent, trustee or receiver acting on behalf of that creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any relevant documentation; or

(v) any person consenting to, or the taking of any other action pursuant to or in connection with, any merger, consolidation, reorganization or any other similar or equivalent step or transaction initiated or undertaken by a member of the Group or any Third Party Security Provider (or any analogous procedure or step in any jurisdiction) that is not prohibited by the terms of the Secured Debt Documents to which it is a party.

"**Equity Contribution**" means (a) any subscription for shares issued by, and any capital contributions to, the Original Borrower (in each case *provided* that any such shares are not redeemable at the option of their holder whilst any amount remains outstanding under the Facilities, unless otherwise permitted by the Intercreditor Agreement)and/or (b) any loans, notes, bonds or like instruments issued by or made to the Original Borrower which are subordinated to the Facilities pursuant to the Intercreditor Agreement (with no right to prepayment or acceleration or cash return payable whilst any amount remains outstanding under the Facilities, in each case, unless otherwise permitted by the Intercreditor Deed) or otherwise on terms satisfactory to the Senior Facility Agent or Bridge Facility Agent, as applicable, acting reasonably.

"**First/Second Lien Discharge Date**" means the later to occur of the Senior Discharge Date and the Second Lien Discharge Date.

"**Group**" means the Company and each of its Subsidiaries for the time being *provided* that, notwithstanding anything to the contrary, no Excluded Subsidiary (or any of its Subsidiaries for the time being) shall be a member of the Group (or a Subsidiary, Holding Company or Affiliate of any member of the Group or a Joint Venture) for the purposes of the Senior Finance Documents.

"**Hedge Counterparty**" means any person that executes or accedes to the Intercreditor Agreement as a Hedge Counterparty.

"**Hedging Liabilities**" means the liabilities owed by any Debtor to Hedge Counterparties in respect of certain hedging agreements.

"**Majority Permitted Parent Financing Creditors**" means, in relation to any Permitted Parent Financing Debt, the requisite number or percentage of Permitted Parent Financing Creditors under the Permitted Parent Financing Agreement on whose instructions the Senior Parent Creditor Representative is required to act in relation to the relevant matter.

"**Majority Permitted Second Lien Financing Creditors**" means, in relation to any Permitted Second Lien Financing Debt, the requisite number or percentage of Permitted Second Lien Financing Creditors under the Permitted Second Lien Financing Agreement on whose instructions the Second Lien Creditor Representative is required to act in relation to the relevant matter.

"**Majority Permitted Senior Financing Creditors**" means, in relation to any Permitted Senior Financing Debt, the requisite number or percentage of Permitted Senior Financing Creditors under the Permitted Senior Financing Agreement on whose instructions the Senior Creditor Representative is required to act in relation to the relevant matter.

"**Majority Priority Creditors**" means, at any time, those Priority Creditors whose Priority Credit Participations at that time aggregate more than 66⅔ per cent. of the total Priority Credit Participations at that time.

"**Majority Priority Facility Lenders**" means, in relation to any Priority Facility, the requisite number or percentage of Priority Facility Lenders under the Priority Facility Agreement on whose instructions the Priority Facility Agent is required to act in relation to the relevant matter.

"**Majority Second Lien Creditors**" means, at any time, those Second Lien Secured Creditors whose Second Lien Secured Credit Participations (as defined below) at that time aggregate more than 66⅔% of the total Second Lien Secured Credit Participations at that time.

"**Majority Second Lien Lenders**" has the meaning given to the term "Majority Lenders" in the Second Lien Facility Agreement.

"**Majority Senior Creditors**" means, at any time, those Senior Creditors whose Senior Credit Participations at that time aggregate more than 66⅔% of the total Senior Credit Participations at that time.

"**Majority Senior Lenders**" means, at any time, subject to certain provisions of the Senior Facilities Agreement, a Senior Lender or Senior Lenders whose Commitments (as defined in the Senior Facilities Agreement) aggregate at least 66⅔% of the Total Commitments (as defined in the Senior Facilities Agreement) (or, if the total commitments have been reduced to zero, aggregate at least 66⅔% of the total commitments immediately prior to that reduction).

"**Majority Senior / Notes Tranche Lenders**" shall mean, at any time, those Senior Lenders and Senior Notes Tranche Holders whose Senior Lender / Notes Tranche Participations at that time aggregate more than 66⅔ per cent. of the total Senior Lender / Notes Tranche Participations at that time.

"**Majority Senior / Notes Tranche / Bridge Lenders**" shall mean, at any time, those Senior Lenders, Senior Notes Tranche Holders and Bridge Lenders whose Senior Lender / Notes Tranche / Bridge Lender Participations at that time aggregate more than 66⅔ per cent. of the total Senior Lender / Notes Tranche / Bridge Lender Participations at that time.

"**New Debt Financing**" means any new, additional or increased Liabilities under any Secured Debt Document and/or in connection with any Debt Refinancing (as defined below).

"**Operating Facility**" means any facility or financial accommodation (including, without limitation, any overdraft or other current account facility, any foreign exchange facility, any guarantee, bonding, documentary or standby letter of credit facility, any credit card or automated payments facility, any short term loan facility and any derivatives facility) provided to a member of the Group by an Operating Facility Lender which is notified to the Security Agent by the Company in writing as a facility or financial accommodation to be treated as an "Operating Facility" for the purposes of the Intercreditor Agreement.

“**Operating Facility Document**” means, at the election of the Company, any document relating to or evidencing an Operating Facility.

“**Operating Facility Lender**” means any person that executes or accedes to the Intercreditor Agreement as an Operating Facility Lender.

“**Operating Facility Liabilities**” means the liabilities owed by any Debtor and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to the Operating Facility Lenders under or in connection with the Operating Facility Documents.

“**Permitted Parent Financing Agreement**” means, in relation to any Permitted Parent Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Parent Financing Debt is made available or, as the case may be, issued.

“**Permitted Parent Financing Creditors**” means, in relation to any Permitted Parent Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Parent Financing Debt from time to time (including the applicable Senior Parent Creditor Representative).

“**Permitted Parent Financing Debt**” means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Company in writing as indebtedness to be treated as “Permitted Parent Financing Debt” for the purposes of the Intercreditor Agreement *provided* that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case to the extent not already a party in that capacity.

“**Permitted Parent Financing Documents**” means, in relation to any Permitted Parent Financing Debt, the Permitted Parent Financing Agreement, any fee letter entered into under or in connection with the Permitted Parent Financing Agreement and any other document or instrument relating to that Permitted Parent Financing Debt and designated as such by the Company and the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt.

“**Permitted Parent Financing Liabilities**” means all liabilities of any Debtor and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to any Permitted Parent Financing Creditors under or in connection with the Permitted Parent Financing Documents.

“**Permitted Second Lien Financing Agreement**” means, in relation to any Permitted Second Lien Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Second Lien Financing Debt is made available or, as the case may be, issued.

“**Permitted Second Lien Financing Creditors**” means, in relation to any Permitted Second Lien Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Second Lien Financing Debt from time to time (including the applicable Second Lien Creditor Representative).

“**Permitted Second Lien Financing Debt**” means any indebtedness or obligations incurred by any member of the Group which is notified to the Security Agent by the Company in writing as indebtedness to be treated as “Permitted Second Lien Financing Debt” for the purposes of the Intercreditor Agreement *provided* that (a) the incurrence of such indebtedness or obligations is not prohibited by the terms of the Secured Debt Documents (as defined below) and (b) the providers of such indebtedness or obligations or the agent, trustee or other relevant representative in respect of that Permitted Second Lien Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case to the extent not already a party in that capacity.

“**Permitted Second Lien Financing Documents**” means, in relation to any Permitted Second Lien Financing Debt, the Permitted Second Lien Financing Agreement, any fee letter entered into under or in connection with the Permitted Second Lien Financing Agreement and any other document or instrument relating to that Permitted Second Lien Financing Debt and designated as such by the Company and the Second Lien Creditor Representative in respect of that Permitted Second Lien Financing Debt.

"**Permitted Second Lien Financing Liabilities**" means all liabilities of any Debtor and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to any Permitted Second Lien Financing Creditors under or in connection with the Permitted Second Lien Financing Documents.

"**Permitted Senior Financing Agreement**" means, so long as any amounts under the Bridge Facility are or may be outstanding, the Bridge Facility Agreement and in relation to any Permitted Senior Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Senior Financing Debt is made available or, as the case may be, issued.

"**Permitted Senior Financing Creditors**" means, so long as any amounts under the Bridge Facility are or may be outstanding, the Bridge Lenders and, in relation to any other Permitted Senior Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Senior Financing Debt from time to time (including the applicable Senior Creditor Representative).

"**Permitted Senior Financing Debt**" means (a) any indebtedness or obligations incurred by any member of the Group under the Bridge Facility Agreement; and (b) any other indebtedness or obligations incurred by any member of the Group which is notified to the Security Agent by the Company in writing as indebtedness to be treated as "Permitted Senior Financing Debt" for the purposes of the Intercreditor Agreement (which may, for the avoidance of doubt, include any Senior Notes Tranche Notes), *provided* that (a) the incurrence of such indebtedness or obligations is not prohibited by the terms of the Secured Debt Documents (as defined below) and (b) the providers of such indebtedness or obligations or the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case to the extent not already a party in that capacity.

"**Permitted Senior Financing Documents**" means, so long as any amounts under the Bridge Facility are or may be outstanding, the Bridge Facility Finance Documents and in relation to any Permitted Senior Financing Debt, the Permitted Senior Financing Agreement, any fee letter entered into under or in connection with the Permitted Senior Financing Agreement and any other document or instrument relating to that Permitted Senior Financing Debt and designated as such by the Company and the Senior Creditor Representative under that Permitted Senior Financing Debt.

"**Permitted Senior Financing Liabilities**" means all liabilities of any Debtor and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to any Permitted Senior Financing Creditors under or in connection with the Permitted Senior Financing Documents.

"**Primary Creditors**" means the Senior Secured Creditors and the Senior Parent Creditors.

"**Priority Creditors**" means the Priority Facility Lenders and the Priority Hedge Counterparties.

"**Priority Creditor Discharge Date**" means the first date on which all Priority Facility Liabilities and Priority Hedging Liabilities have been fully and finally discharged (if applicable, including by way of defeasance permitted in accordance with the Priority Facility Finance Documents and/or the relevant Hedging Agreements), whether or not as a result of an enforcement, and the Priority Creditors are under no further obligation to provide any financial accommodation to any of the Debtors under the Priority Facility Finance Documents and/or the relevant Hedging Agreements.

"**Priority Facility**" means any facility which is notified to the Security Agent by the Company in writing as a facility to be treated as a "Priority Facility" for the purposes of the Intercreditor Agreement *provided* that such Priority Facility is established in accordance with the Intercreditor Agreement.

"**Priority Facility Agent**" means, in relation to any Priority Facility, the agent, trustee or other relevant representative in respect of that Priority Facility.

"**Priority Facility Agent Liabilities**" means the Agent Liabilities owed by the Debtors and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to the relevant Priority Facility Agent under or in connection with the Priority Facility Finance Documents.

"**Priority Facility Agreement**" means, in relation to any Priority Facility, the facility agreement, indenture or other equivalent document by which that Priority Facility is made available or, as the case may be, issued.

"**Priority Facility Arranger Liabilities**" means the Arranger Liabilities owed by the Debtors to any Priority Facility Arranger under or in connection with the Priority Facility Finance Documents.

"**Priority Facility Discharge Date**" means the first date on which all Priority Facility Liabilities have been fully and finally discharged (if applicable, including by way of defeasance permitted in accordance with the Priority Facility Finance Documents), whether or not as a result of an enforcement, and the Priority Facility Lenders are under no further obligation to provide any financial accommodation to any of the Debtors under the Priority Facility Finance Documents.

"**Priority Facility Finance Documents**" means, in relation to any Priority Facility, the Priority Facility Agreement, any fee letter entered into under or in connection with the Priority Facility Agreement and any other document or instrument relating to that Priority Facility and designated as such by the Company and the Priority Facility Agent in respect of that Priority Facility.

"**Priority Facility Lenders**" means, in relation to any Priority Facility, each of the lenders or other creditors in respect of that Priority Facility from time to time (including the applicable Priority Facility Agent) which becomes a party to the Intercreditor Agreement as a Priority Facility Lender.

"**Priority Facility Liabilities**" means all Liabilities of any Debtor and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to any Priority Facility Lenders under or in connection with the Priority Facility Finance Documents.

"**Priority Hedge Counterparties**" means any Hedge Counterparties in respect of Priority Hedging Liabilities.

"**Priority Hedging Liabilities**" means any Hedging Liabilities, which are notified to the Security Agent by the Company in writing as Hedging Liabilities to be treated as "Priority Hedging Liabilities" for the purposes of the Intercreditor Agreement.

"**Second Lien Arranger Liabilities**" means the liabilities owed by the Debtors and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to any Second Lien Arranger under or in connection with the Second Lien Finance Documents.

"**Second Lien Creditor Representative**" means, in relation to any Permitted Second Lien Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Second Lien Financing Debt.

"**Second Lien Debt**" means any Financial Indebtedness outstanding under any Second Lien Facility.

"**Second Lien Discharge Date**" means the date that the Second Lien Lender Liabilities and the Permitted Second Lien Financing Liabilities have been discharged.

"**Second Lien Facility**" has the meaning given to the term "Facility" in the Second Lien Facility Agreement.

"**Second Lien Facility Agreement**" means any second lien facility agreement entered into or to be entered into by a member of the Group which is notified to the Security Agent by the Company in writing as a facility agreement to be treated as the "Second Lien Facility Agreement" for the purposes of the Intercreditor Agreement *provided* that (i) the providers of the indebtedness under such agreement have agreed to become3 a party to the Intercreditor Agreement as a Second Lien Facility Finance Party, or (ii) the agent, trustee or other relevant representative in respect of the Second Lien Facility Agreement has agreed to become a party to the Intercreditor Agreement as a Second Lien Facility Finance Party and Second Lien Facility Agent on behalf of the providers of such indebtedness.

"**Second Lien Lenders**" means each Lender under and as defined in the Second Lien Facility Agreement.

“**Second Lien Lender Liabilities**” means the liabilities owed by the Debtors and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to the Second Lien Lenders under the Second Lien Finance Documents.

“**Second Lien Liabilities**” means the Second Lien Lender Liabilities and any Permitted Second Lien Financing Liabilities.

“**Second Lien Secured Creditors**” means the Second Lien Facility finance parties and/or the Permitted Second Lien Financing Creditors, as the context requires.

“**Secured Debt Documents**” means the Senior Facilities Finance Documents (as defined below), the Priority Facility Finance Documents, the Senior Notes finance documents, the Permitted Senior Financing Documents, the hedging agreements regulated by the Intercreditor Agreement, the Operating Facility finance documents, the Second Lien Finance Documents, the Permitted Second Lien Financing Documents, the Senior Parent Notes Finance Documents and/or the Permitted Parent Financing Documents.

“**Secured Party**” means, to the extent legally possible and subject to the Agreed Security Principles, each of the Security Agent, any receiver or delegate and each of the creditor representatives of the relevant secured creditors, the arrangers under the Senior Facilities Agreement, the Operating Facility Lenders, the Senior Secured Creditors and the Senior Parent Creditors from time to time but, to the extent required by the Intercreditor Agreement, only if it is a party to the Intercreditor Agreement or has acceded to it, in the appropriate capacity, pursuant to its terms.

“**Senior Agent Liabilities**” means the liabilities owed by the Debtors and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to the Senior Facility Agent under or in connection with the Senior Facilities Finance Documents.

“**Senior Arranger Liabilities**” means the liabilities owed by the Debtors to any Senior Arranger under or in connection with the Senior Facilities Finance Documents.

“**Senior Creditor Liabilities**” means the Senior Lender Liabilities, the Hedging Liabilities, the Priority Facility Liabilities and the Operating Facility Liabilities.

“**Senior Creditor Representative**” means, so long as any amounts under the Bridge Facility are or may be outstanding, the Bridge Facility Agent and in relation to any other Permitted Senior Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt.

“**Senior Creditors**” means the Senior Lenders, Senior Notes Tranche Holders, Priority Facility Lenders and the Hedge Counterparties.

“**Senior Discharge Date**” means the first date on which each of the Senior Creditor Discharge Date, the Senior Notes Discharge Date and the Permitted Senior Financing Discharge Date has occurred.

“**Senior Financing Agreement**” means the Priority Facility Agreement, the Senior Facilities Agreement, the Second Lien Facility Agreement, any Senior Notes Indenture, any Permitted Senior Financing Agreement and/or any Permitted Second Lien Financing Agreement, as the context requires.

“**Senior Lender**” means each of the lenders, issuing banks and ancillary lenders under the Senior Facilities Agreement.

“**Senior Lender Liabilities**” means the liabilities owed by the Debtors and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to the Senior Lenders under the Senior Facilities finance documents.

“**Senior Liabilities**” means the Senior Creditor Liabilities, the Second Lien Lender Liabilities, the Senior Notes Liabilities, the Permitted Senior Financing Liabilities and the Permitted Second Lien Financing Liabilities (as applicable).

“**Senior Noteholders**” means the registered holders from time to time of the applicable Senior Notes.

“**Senior Notes**” means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Company in writing as indebtedness to be treated as “Senior Notes” for the purposes of the Intercreditor Agreement.

“**Senior Notes Creditors**” means, on and from the first Senior Notes Issue Date, the Senior Noteholders and each Senior Notes Trustee.

“**Senior Notes/Permitted Financing Credit Participations**” means the aggregate of all the Senior Secured Credit Participations at any time of the Senior Notes Creditors and the Permitted Senior Financing Creditors.

“**Senior Notes Tranche Finance Documents**” means the Senior Notes Tranche Notes, each Senior Notes Tranche Trust Deed, each Senior Notes Tranche Subscription Agreement, each guarantee granted by a member of the Group in respect of the Senior Notes Tranche Notes, the Intercreditor Agreement, the Security Documents and any other document entered into in connection with the Senior Notes Tranche Notes and designated a Senior Notes Tranche Finance Document by the Company and the applicable Senior Notes Tranche Trustee (which, for the avoidance of doubt, excludes any document to the extent it sets out rights of any initial purchasers of the Senior Notes Tranche Notes (in their capacities as initial purchasers) against any member of the Group).

“**Senior Notes Tranche Finance Parties**” means any Senior Notes Tranche Notes Trustee (on behalf of itself and the Senior Notes Tranche Holders which it represents), any Senior Notes Tranche Holder and the Security Agent.

“**Senior Notes Tranche Holder Discharge Date**” means the first date on which all Senior Notes Tranche Holder Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Senior Notes Tranche Holders are under no further obligation to provide financial accommodation to any of the Debtors under any of the Senior Notes Tranche Finance Documents.

“**Senior Notes Tranche Holders**” means each holder of Senior Notes Tranche Notes from time to time.

“**Senior Notes Tranche Holder Liabilities**” means the Liabilities owed by the Debtors and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to the Senior Notes Tranche Finance Parties under the Senior Notes Tranche Finance Documents (excluding any Senior Notes Tranche Notes Trustee Amounts).

“**Senior Notes Tranche Notes**” means any debt securities and/or other debt instruments issued or to be issued by any member of the Group in connection with any refinancing or replacement of all or any part of the Senior Lender Liabilities (or any such refinancing or replacement indebtedness from time to time) which are notified to the Security Agent by the Company in writing as indebtedness to be treated as Permitted Senior Financing Indebtedness and further as “Senior Notes Tranche Notes” for the purposes of the Intercreditor Agreement.

“**Senior Notes Tranche Notes Trustee**” means any entity acting as trustee under any issue of Senior Notes Tranche Notes (to the extent it has acceded to the Intercreditor Agreement).

“**Senior Notes Trustee**” means any entity acting as trustee under any issue of Senior Notes (to the extent it has acceded in such capacity to the Intercreditor Agreement in accordance with its terms) in each case as the context requires.

“**Senior Parent Creditors**” means, on and from the first Senior Parent Notes Issue Date, the Senior Parent Noteholders, the Senior Parent Notes Trustee and any Permitted Parent Financing Creditors.

“**Senior Parent Creditor Representative**” means in relation to any Permitted Parent Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt.

“**Senior Parent Debt Issuer**” means, in relation to any Senior Parent Notes or Permitted Parent Financing Debt, the member of the Group which is the issuer, or, as the case may be, the borrower of those Senior Parent Notes or that Permitted Parent Financing Debt, *provided* that no member of the Group which is:

(a) an issuer or, as the case may be, a borrower of any outstanding Senior Term Debt, outstanding Senior Notes, outstanding Second Lien Debt, outstanding Permitted Senior Financing Debt or outstanding Permitted Second Lien Financing Debt; or

(b) a subsidiary of a member of the Group falling within (a) above (other than a subsidiary which is a financing vehicle), may be a Senior Parent Debt Issuer.

"**Senior Parent Finance Parties**" means any Senior Parent Notes Trustee (on behalf of itself and the Senior Parent Noteholders that it represents), any Senior Parent Noteholder, the Security Agent and the Permitted Parent Financing Creditors.

"**Senior Parent Liabilities**" means the Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities.

"**Senior Parent Noteholders**" means the registered holders from time to time of the Senior Parent Notes.

"**Senior Parent Notes**" means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Company in writing as indebtedness to be treated as "Senior Parent Notes" for the purposes of the Intercreditor Agreement.

"**Senior Parent Notes Finance Documents**" means, generally, the Senior Parent Notes, each indenture for Senior Parent Notes, guarantees of the Senior Parent Notes, the Intercreditor Agreement, the relevant security documents securing the liabilities in respect of the Senior Parent Notes and any other document designated as such by the Company and the applicable Senior Parent Notes Trustee.

"**Senior Parent Notes Liabilities**" means, generally, the liabilities owed by any Debtor and/or (to the extent arising pursuant to the terms of any Third Party Security) any Third Party Security Provider to the Senior Parent Notes Creditors and the Security Agent under the finance documents for the Senior Parent Notes (excluding, generally, certain amounts owed to the relevant Senior Parent Notes Trustee in respect of each issuance of Senior Parent Notes).

"**Senior Parent Notes Trustee**" means any entity acting as trustee under any issue of Senior Parent Notes (to the extent it has acceded in such capacity to the Intercreditor Agreement in accordance with its terms) in each case as the context requires.

"**Senior Secured Creditors**" means the Senior Creditors, the Senior Notes Creditors, the Second Lien Lenders, the Permitted Senior Financing Creditors and/or the Permitted Second Lien Financing Creditors, as the context requires.

"**Third Party Security**" means Transaction Security granted by a Third Party Security Provider.

"**Third Party Security Provider**" means the Original Third Party Security Provider and any other person that is not a member of the Group and that has provided Transaction Security over any or all of its assets but is not a Debtor in respect of any of the direct Borrowing Liabilities or Guarantee Liabilities of the Secured Obligations to which that Transaction Security relates and which has acceded to the Intercreditor Agreement as a Third Party Security Provider.

Debt Refinancing, Priority Facilities and Priority Hedging Liabilities

The Intercreditor Agreement permits any of the liabilities under the debt documents to be refinanced, replaced, increased or otherwise restructured in whole or in part including by way of Permitted Senior Financing Debt, Second Lien Debt, Permitted Second Lien Financing Debt and/or Permitted Parent Financing Debt or the issue of additional Senior Notes and/or Senior Parent Notes, or the establishment of new or additional Operating Facilities or the establishment of new or additional Priority Facilities (each a "**Debt Refinancing**").

Each party to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of the then current Secured Debt Documents and/or take such other action as is required by the Company in order to facilitate such a Debt Refinancing including changes to, the taking of, or release and retake of any guarantee or security (except for any release of the security over the shares in the Company, unless following the relevant transaction such share security is replaced by security provided by an alternative holding company which continues to own all the shares or other equivalent ownership interests in the Company or in another person which acts as the common holding company

for all operating entities in the Group and those shares or other ownership interests are subject to the transaction security), subject to certain conditions.

In any event, prior to the later of the Senior Lender Discharge Date, the Bridge Lender Discharge Date and the Senior Notes Tranche Holders Discharge Date, unless otherwise agreed by the Majority Senior / Notes Tranche / Bridge Lenders, the Company shall not (i) establish any Debt Refinancing which is a Priority Facility which would rank ahead of the Senior Lender Liabilities, the Bridge Lender Liabilities and/or the Senior Notes tranche Holder Liabilities, and/or a Second Lien Facility or any Permitted Second Lien Financing Debt, any Senior Parent Notes or any Permitted Parent Financing debt, in each case that would become subject and benefit from the Intercreditor Agreement, or (ii) cause any Hedging Liabilities to be treated as Priority Hedging Liabilities.

At the option of the Company, a Debt Refinancing may be made available on a basis which is senior to, *pari passu* with or junior to any of the other liabilities, shall be entitled to benefit from all or any of the security, may be made available on a secured or unsecured basis (subject to certain restrictions) and may be effected in whole or in part by way of a debt exchange, non-cash rollover or other similar or equivalent transaction, in each case unless otherwise prohibited by the Debt Financing Agreements or the Intercreditor Agreement.

Under the terms of the Intercreditor Agreement each agent, each Secured Party and each Primary Creditor agrees that it shall co-operate with the Company, each other member of the Group, each Third Party Security Provider and each agent in order to facilitate any Debt Refinancing (including by way of, at the request and cost of the Company, executing any document or agreement and/or giving instructions to any person).

In the event of any refinancing or replacement of all or any part of the Senior Lender Liabilities (or any such refinancing or replacement indebtedness from time to time), the Company shall be entitled to require that the definition of Instructing Group is amended such that the relevant refinancing or replacement indebtedness is treated in the same manner as the Senior Facilities (meaning that for the purpose of calculating the voting entitlement of any person, at the option of the Company all or any part of the relevant refinancing or replacement indebtedness may be treated as Senior Secured Credit Participations of the Senior Creditors and not Senior Notes/Permitted Financing Credit Participations).

In the event that any Priority Facility becomes subject to the provisions of the Intercreditor Agreement, the Company shall be entitled to require that all or any part of the liabilities in relation to Hedging Liabilities and/or the Operating Facility Liabilities shall rank in right and priority of payment *pari passu* with that Priority Facility (which, for the avoidance of doubt, may result in such Hedging Liabilities and/or, as the case may be, Operating Facility Liabilities ranking ahead of the Senior Lender Liabilities, the Senior Notes Liabilities, the Permitted Senior Financing Liabilities, the Senior Parent Notes Liabilities and/or the Permitted Parent Financing Liabilities) in each case unless otherwise prohibited by the Debt Financing Agreements.

Ranking and Priority

Priority of Debts

Subject to the provisions set out under the caption "*—Senior Parent Liabilities and Security*" below, the Intercreditor Agreement provides that the liabilities owed by the Debtors (other than any Senior Parent Debt Issuer to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) **first**, the Senior Lender Liabilities, the Senior Notes Liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, the Priority Facility Liabilities, the Second Lien Lender Liabilities, the Permitted Second Lien Financing Liabilities, the Senior Arranger Liabilities, the Second Lien Arranger Liabilities, the Senior Agent Liabilities, the Priority Facility Agent Liabilities, amounts due to the Senior Notes Trustee, the Second Lien Agent Liabilities and amounts due to the Senior Parent Notes Trustee *pari passu* and without any preference amongst them; and

(b) **second**, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* and without any preference amongst them,

The liabilities owed by any Senior Parent Debt Issuer (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank *pari passu* in right and priority of payment without any preference amongst them.

Priority of Security

The Intercreditor Agreement provides that the security shall secure the liabilities (but only to the extent that such security is expressed to secure those liabilities) in the following order:

(a) **first**, the Senior Lender Liabilities, the Senior Notes Liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, the Priority Facility Liabilities, the Senior Arranger Liabilities, the Senior Agent Liabilities, the Priority Facility Agent Liabilities, amounts due to the Senior Notes Trustee, the Second Lien Agent Liabilities and amounts due to the Senior Parent Notes Trustee *pari passu* and without any preference amongst them;

(b) **second**, the Second Lien Lender Liabilities, the Permitted Second Lien Financing Liabilities and the Second Lien Arranger Liabilities *pari passu* and without any preference amongst them; and

(c) **third**, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* and without any preference amongst them.

Senior Parent Liabilities and Security

The Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities owed by a Senior Parent Debt Issuer (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower) are senior obligations of that Senior Parent Debt Issuer. Notwithstanding the preceding sentence, the Senior Parent Notes Creditors and the Permitted Parent Financing Creditors agree that, until the First/Second Lien Discharge Date, they may not take any steps subject to the security documents in connection with any Enforcement Action, other than as expressly permitted by the Intercreditor Agreement.

For the avoidance of doubt, the restrictions set out in the preceding paragraph shall not impair the right of the Senior Parent Creditors and/or the Permitted Parent Financing Creditors to institute suit for the recovery of any payment due by a Senior Parent Debt Issuer in respect of the Senior Parent Notes Liabilities and/or the Permitted Parent Financing Liabilities (in each case to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower).

Intra-Group Liabilities and Investor Liabilities

The Intercreditor Agreement provides that the intra-Group liabilities and the liabilities of the Group to an investor are postponed and subordinated to the liabilities owed by the Debtors and the Third Party Security Providers to the Primary Creditors and the Operating Facility Lenders, but does not purport to rank any of those liabilities as between themselves.

Additional and/or Refinancing Debt

The Creditors and the Operating Facility Lenders acknowledge in the Intercreditor Agreement that the Debtors (or any of them) may wish to incur incremental borrowing liabilities (including guarantees of such liabilities) or refinance or replace borrowing liabilities (including incurring guarantee liabilities in respect of such refinancing or replacement). Such liabilities are intended to rank *pari passu* with any other liabilities and/or share *pari passu* in any security and/or to rank behind any other liabilities and/or to share in any security behind any such other liabilities.

The Creditors and the Operating Facility Lenders undertake in the Intercreditor Agreement (at the cost of the Debtors) to co-operate with the Company and the Debtors with a view to enabling and facilitating such financing, refinancing or replacement and such sharing in the security (provided it is not prohibited by the terms of the Debt Financing Agreements at such time) to take place in a timely manner. In particular, but without limitation, each of the Secured Parties authorizes and directs each of its respective agents and the Security Agent to execute any amendment to or replacement of the Intercreditor Agreement and such other debt documents and/or (subject to certain pre-conditions) release and retake of security required by the Company to reflect, enable and/or facilitate any such arrangements (including, as regards the ranking of any such arrangements).

If a Debtor incurs any new, additional or increased liabilities under any Secured Debt Document and/or in connection with any Debt Refinancing, at the option of the Company, the relevant Debtor and/or any Third Party Security Provider may (but subject to the relevant Debt Financing being elected to be secured in accordance with the applicable terms of the Intercreditor Agreement and subject to the Agreed Security Principles) grant to the relevant Secured Parties in respect of all or any part of such Debt Financing additional security by executing additional security documents which will benefit from the order of priority and ranking set out in the Intercreditor Agreement.

Restrictions Relating to Senior Secured Liabilities

The Company, the Debtors and the Third Party Security Providers may make payments of the Senior Liabilities at any time.

The Intercreditor Agreement provides that the Senior Secured Creditors, the Operating Facility Lenders, the Company, the Debtors and the Third Party Security Providers may at any time amend or waive the terms of the finance documents in relation to the Senior Facilities (the "**Senior Facilities Finance Documents**"), the Senior Notes, the Permitted Senior Financing Debt, the Second Lien Facility (the "**Second Lien Finance Documents**"), the Permitted Second Lien Financing Documents, the Operating Facility Documents and/or any Priority Facility Finance Documents in accordance with their respective terms from time to time (and subject only to any consent required under them).

Security and Guarantees: Senior Secured Creditors

The Senior Secured Creditors and the Operating Facility Lenders may take, accept or receive the benefit of:

(a) any security from any member of the Group or any Third Party Security Provider in respect of any of the Senior Liabilities in addition to the shared security *provided* that, to the extent legally possible and subject to the Agreed Security Principles:

 (i) the security provider (for the avoidance of doubt, excluding any Third Party Security Provider) becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

 (ii) all amounts actually received or recovered by any Senior Secured Creditor or Operating Facility Lender with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "*—Application of Proceeds*;" and

 (iii) any such security may only be enforced in accordance with the provisions set out under the caption "*—Enforcement of Security—Security Held by Other Creditors*."

(b) any guarantee, indemnity or other assurance against loss from any member of the Group or any Third Party Security Provider regarding any of the Senior Liabilities in addition to those in:

 (i) the Senior Facilities Agreement, any Senior Notes Indenture, any Permitted Senior Financing Document, the Second Lien Facility Agreement, any Permitted Second Lien Financing Document, any Operating Facility Document or any Priority Facility Finance Document;

 (ii) the Intercreditor Agreement; or

 (iii) any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to the Agreed Security

Principles, given to, or expressed to be given to, all the senior secured parties in respect of their senior secured liabilities

provided that (except for any guarantee, indemnity or other assurance against loss permitted to be given to any ancillary lender or issuing bank), to the extent legally possible, and subject to the Agreed Security Principles,

(A) the guarantee provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity); and

(B) such guarantee, indemnity or assurance against loss is expressed to be subject to the Intercreditor Agreement.

(c) any security, guarantee, indemnity or other assurance against loss from any member of the Group or Third Party Security Provider in connection with:

(i) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

(ii) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Operating Facility Liabilities, Senior Notes liabilities, Permitted Senior Financing Liabilities, Priority Facility Liabilities and/or Second Lien Liabilities (in each case *provided* that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

Restriction on Enforcement: Senior Lenders, Operating Facility Lenders, Senior Notes Creditors, Priority Creditors and Permitted Senior Financing Creditors

The Intercreditor Agreement provides that no Senior Lender, Operating Facility Lender, Senior Notes Creditor, Permitted Senior Financing Creditor or Priority Creditor may take certain Enforcement Action without the prior written consent of an Instructing Group (as defined below).

Notwithstanding the above restriction or anything to the contrary in the Intercreditor Agreement, after the occurrence of certain specified insolvency events (an "**Insolvency Event**") in relation to the Company, a Debtor or a Third Party Security Provider, each Senior Lender, Operating Facility Lender, Senior Notes Creditor, Priority Creditor and/or Permitted Senior Financing Creditor may, to the extent it is permitted to do so under the relevant Debt Documents, take certain Enforcement Action and/or claim in the winding up, dissolution, administration, reorganization or similar insolvency event or process in relation to that Debtor for liabilities owing to it (but no Senior Secured Creditor or Operating Facility Lender may direct the Security Agent to enforce the common security in any manner).

Option to Purchase: Senior Notes Creditors and Permitted Senior Financing Creditors

Senior Notes Creditors holding at least a simple majority of the Senior Notes liabilities or Permitted Senior Financing Creditors holding at least a simple majority of the Permitted Senior Financing Liabilities (but excluding for this purpose Bridge Lender Liabilities and Senior Notes Tranche Holder Liabilities) (the "**Senior Secured Acquiring Creditors**") may, after the occurrence of an acceleration event which is continuing, by giving not less than ten (10) days' notice to the Security Agent (with the first notice to prevail in the event that more than one set of Creditors serves such a notice), require the transfer to them (or to a nominee or nominees), in accordance with the applicable transfer provisions of the Intercreditor Agreement, of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities, the Priority Facility Liabilities, the Bridge Lender Liabilities, the Senior Notes Tranche Holder Liabilities and the Operating Facility Liabilities (a "**Senior Liabilities Transfer**") if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Senior Facilities Agreement, the Priority Facility Agreements and the Operating Facility Documents;

(ii) any conditions relating to such a transfer contained in the Senior Facilities Agreement, the Priority Facility Agreements and the Operating Facility Documents are complied with, other than:

(A) any requirement to obtain the consent of, or consult with, a member of the Group or a Third Party Security Provider in relation to such transfer, which consent or consultation shall not be required; and

(B) to the extent to which all the Senior Secured Acquiring Creditors provide cash cover for any letter of credit, the consent of the relevant letter of credit issuing bank relating to such transfer;

(iii) the Senior Facility Agent, on behalf of the Senior Lenders, is paid an amount equal to the aggregate of:

(A) any amounts provided as cash cover by the Senior Secured Acquiring Creditors for any letter of credit (as envisaged in paragraph (ii)(B) above);

(B) all of the Senior Lender Liabilities at that time (whether or not due), including all amounts that would have been payable under the Senior Facilities Agreement if the Senior Facilities were being prepaid by the relevant Debtors on the date of that payment; and

(C) all costs and expenses (including legal fees) incurred by the Senior Facility Agent and/or the Senior Lenders and/or the Security Agent as a consequence of giving effect to that transfer;

(iv) the Priority Facility Agent, on behalf of the Priority Facility Lenders, is paid an amount equal to the aggregate of:

(A) any amounts provided as cash cover by the Senior Secured Acquiring Creditors for any Letter of Credit (as envisaged in paragraph (ii)(B) above);

(B) all of the Priority Facility Liabilities at that time (whether or not due), including all amounts that would have been payable under the Priority Facility Agreements if the Priority Facilities were being prepaid by the relevant Debtors on the date of that payment; and

(C) all costs and expenses (including legal fees) incurred by the Priority Facility Agent and/or the Priority Facility Lenders and/or the Security Agent as a consequence of giving effect to that transfer;

(v) the Operating Facility Lenders are paid an amount equal to the aggregate of:

(A) all of the Operating Facility Liabilities at that time (whether or not due), including all amounts that would have been payable under the Operating Facility Documents if the Operating Facilities were being prepaid by the relevant Debtors on the date of that payment; and

(B) all costs and expenses (including legal fees) incurred by the Operating Facility Lenders and/or the Security Agent as a consequence of giving effect to that transfer.

(vi) as a result of that transfer:

(A) the Senior Lenders have no further actual or contingent liability to a Debtor under the Senior Facilities Finance Documents;

(B) the Priority Facility Lenders have no further actual or contingent liability to a Debtor under the Priority Facility Finance Documents; and

(C) the Operating Facility Lenders have no further actual or contingent liability to a Debtor under the Operating Facility Documents.

(vii) an indemnity is provided from each of the Senior Secured Acquiring Creditors (other than any Senior Agent) or from another third party acceptable to all the Senior Lenders, the Priority Facility Lenders and the

Operating Facility Lenders in a form reasonably satisfactory to each Senior Lender, each Priority Facility Lender and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender, Priority Facility Lender or Operating Facility Lender in consequence of any sum received or recovered by any Senior Lender, Priority Facility or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender or Operating Facility Lender for any reason;

(viii) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders, the Priority Facility Lenders or the Operating Facility Lenders, except that each Senior Lender, Priority Facility Lender and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer; and

(ix) the Senior Parent Creditors have not exercised their rights to purchase as described under the provisions set out in the paragraph captioned "*—Option to Purchase: Senior Parent Creditors*" or having exercised such rights, have not failed to complete the acquisition of the relevant Senior Secured Liabilities in accordance with such provisions.

Subject to the Intercreditor Agreement, the Senior Secured Acquiring Creditors may only require a Senior Liabilities Transfer if, at the same time, they require a transfer of the Hedging Liabilities in accordance with the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no Senior Liabilities Transfer may be required to be made.

At the request of a Senior Agent (on behalf of the Senior Secured Acquiring Creditors), the Senior Facility Agent and the Operating Facility Lenders shall notify that Senior Agent of the foregoing payable sums in connection with such transfer.

Instructing Group

The term "Instructing Group" means at any time:

(a) prior to the Senior Discharge Date:

(i) in relation to any instructions to the Security Agent to enforce the transaction security or refrain or cease from enforcing the transaction security or to take any other enforcement action:

(A) those Senior Secured Creditors (other than the Second Lien Secured Creditors) whose Senior Secured Credit Participations at that time aggregate to more than 66⅔% of the Total Senior Secured Credit Participations at that time; and/or

(B) (x) if agreed by the Company under the terms of any Priority Facility that this paragraph (i)(B)(x) will apply and notified as such by the Company to the Security Agent and/or (y) if the Company has notified the Security Agent that any Hedging Liabilities are to be treated as Priority Hedging Liabilities pursuant to the provisions of the Intercreditor Agreement, in each case, prior to the Priority Creditor Discharge Date, the Majority Priority Creditors; or

(ii) in relation to any other matter:

(A) those Senior Secured Creditors (other than the Second Lien Secured Creditors) whose Senior Secured Credit *Participations* at that time aggregate more than 66⅔% of the Total Senior Secured Credit Participations at that time; and

(B) (x) if agreed by the Company under the terms of any Priority Facility that this paragraph (ii)(B)(x) will apply and notified as such by the Company to the Security Agent and/or (y) if the Company has notified the Security Agent that any Hedging Liabilities are to be treated

as Priority Hedging Liabilities pursuant to the provisions of the Intercreditor Agreement, in each case, prior to the Priority Creditor Discharge Date, the Majority Priority Creditors;

(b) on or after the Senior Discharge Date but before the Second Lien Discharge Date, and subject always to the provisions set out under the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Second Lien Secured Creditors*," those Second Lien Secured Creditors whose Second Lien Secured Credit Participations at that time aggregate to more than 66⅔% of the Total Second Lien Secured Credit Participations at that time; and

(c) on or after the First/Second Lien Discharge Date but before the Senior Parent Discharge Date, and subject always to the provisions set out under the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors*," the Majority Senior Parent Creditors.

In the foregoing definition of "Instructing Group":

"**Majority Senior Parent Creditors**" means, at any time, those Senior Parent Creditors whose Senior Parent Credit Participations at that time aggregate to more than 66⅔% of the total aggregate amount of all Senior Parent Credit Participations at that time.

"**Second Lien Secured Credit Participation**" means:

(a) in relation to a Second Lien Lender, its second lien commitments; and

(b) in relation to a Permitted Second Lien Financing Creditor, the aggregate amount of its commitments under each Permitted Second Lien Financing Agreement (drawn or undrawn and calculated in a manner consistent with the second lien commitments) and/or the principal amount of outstanding Permitted Second Lien Financing Debt held by that Permitted Second Lien Financing Creditor (as applicable and without double counting).

"**Senior Parent Credit Participation**" means:

(a) in relation to a Senior Parent Noteholder, the principal amount of outstanding Senior Parent Notes Liabilities held by that Senior Parent Noteholder; and

(b) in relation to a Permitted Parent Financing Creditor, the aggregate amount of its commitments under each Permitted Parent Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Parent Financing Debt held by that Permitted Parent Financing Creditor (as applicable and without double counting).

"**Senior Secured Credit Participation**" means:

(a) in relation to a Senior Creditor, its Senior Credit Participation in relation to the Senior Facilities Agreement, the Priority Facility Agreements and the hedging agreements only;

(b) in relation to a Senior Noteholder, the principal amount of outstanding Senior Notes liabilities held by that Senior Noteholder; and

(c) in relation to a Permitted Senior Financing Creditor, the aggregate amount of its commitments under each Permitted Senior Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Senior Financing Debt held by that Permitted Senior Financing Creditor (as applicable and without double counting).

"**Total Second Lien Secured Credit Participations**" means the aggregate of all the Second Lien Secured Credit Participations at any time.

"**Total Senior Secured Credit Participations**" means the aggregate of all the Senior Secured Credit Participations at any time.

Restrictions Relating to Second Lien Secured Creditors and Second Lien Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the Senior Discharge Date, no Debtor or Third Party Security Provider shall (and the Company shall ensure that no member of the Group will) make any payment of the Second Lien Liabilities at any time unless:

(a) that payment is permitted by the provisions set out below under the captions "*—Permitted Second Lien Liabilities Payments*," and the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Second Lien Debt or the Permitted Second Lien Financing Debt as permitted by the Intercreditor Agreement; or

(b) the taking or receipt of that payment is permitted by the provisions set out below under the caption "*—Permitted Second Lien Enforcement.*"

Permitted Second Lien Liabilities Payments

Prior to the Senior Discharge Date, any member of the Group or Third Party Security Provider may, directly or indirectly, make payments with respect to the Second Lien Liabilities at any time:

(a) if:

(i) the payment is of:

(A) any of the principal amount of the Second Lien Liabilities which is either (1) not prohibited from being paid by the Senior Financing Agreements; or (2) paid on or after the final maturity date of the relevant Second Lien Liabilities (subject to certain conditions); or

(B) any other amount which is not an amount of principal or capitalized interest;

(ii) no Second Lien Payment Stop Notice (as defined below) is outstanding;

(iii) no payment default under the Senior Facilities Agreement, any Senior Notes Indenture or any Permitted Senior Financing Documents (the "**Senior Payment Default**") has occurred and is continuing;

(b) if the Majority Senior Lenders, the Senior Notes Trustee and the Permitted Majority Senior Financing Creditors or the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (as applicable) (the "**Required Senior Consent**") give prior consent to that payment being made; or

(c) if the payment is of

(i) Second Lien Agent Liabilities;

(ii) any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(iii) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Second Lien Debt Documents (including in relation to any reporting or listing requirements under such documents);

(d) if the Payment is funded directly or indirectly with Second Lien Debt, Permitted Second Lien Financing Debt, Permitted Parent Financing Debt and/or the proceeds of any indebtedness incurred under or pursuant to any Second Lien Debt Document and/or Senior Parent Notes;

(e) if the payment is funded directly or indirectly with the proceeds of an Equity Contribution (other than any Equity Contribution received by the Group on or prior to the first utilization date) or Available Shareholder Amounts; or

(f) of any other amount not exceeding €5,000,000 (or its equivalent) in aggregate in any financial year of the Company.

On or after the Senior Discharge Date, any Debtor or Third Party Security Provider may make payments to the Second Lien Creditors in respect of the Second Lien liabilities in accordance with the terms of the Second Lien Finance Documents, as applicable.

Payment Blockage Provisions—Restrictions on Enforcement by Second Lien Secured Creditors

Until the Senior Discharge Date, except with the Required Senior Consent, no Debtor shall make (and the Company shall procure that no other member of the Group shall make), and no Second Lien Secured Creditor may receive from any other member of the Group, any Permitted Second Lien Payment (other than, for the avoidance of doubt, a roll-up or capitalization of any amount and Second Lien Agent Liabilities, and payments permitted under (b) to (f) under the caption "*—Permitted Second Lien Liabilities Payments*") if:

(a) a Senior Payment Default is continuing; or

(b) an insolvency event of default under the Senior Facilities Agreement, any Senior Notes Indenture and/or any Permitted Senior Financing Agreement and/or a breach of the revolving facility financial maintenance covenant under the Senior Facilities Agreement (a "**Material Event of Default**") is continuing, from the date which is one Business Day after the date on which any Senior Agent delivers a notice (a "**Second Lien Payment Stop Notice**") specifying the event or circumstance in relation to that Material Event of Default to the Company, the Security Agent and the Second Lien Agents until the earliest of:

    (i) the date falling 120 days after delivery of that Second Lien Payment Stop Notice;

    (ii) in relation to payments of Second Lien Liabilities, if a Second Lien Standstill Period is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that Second Lien Standstill Period expires;

    (iii) the date on which the relevant Material Event of Default has been remedied or waived in accordance with the Senior Facilities Agreement, any Senior Notes Indenture or any Permitted Senior Financing Agreement (as applicable);

    (iv) the date on which the Senior Agent which delivered the relevant Second Lien Payment Stop Notice delivers a notice to the Company, the Security Agent and the Second Lien Agents cancelling the Second Lien Payment Stop Notice;

    (v) the Senior Discharge Date; and

    (vi) the date on which the Security Agent or a Second Lien Agent takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor or a Third Party Security Provider.

Unless each of the Second Lien Agents waives this requirement, (i) a new Second Lien Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice; and (ii) no Second Lien Payment Stop Notice may be delivered by a Senior Agent in reliance on a Material Event of Default more than 75 days after the date that Senior Agent received notice of that Material Event of Default.

The Senior Agents may only serve one Second Lien Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Agents to issue a Second Lien Payment Stop Notice in respect of any other event or set of circumstances. No Second Lien Payment

Stop Notice may be served by an Agent in respect of a Material Event of Default which had been notified to the Agents at the time at which an earlier Second Lien Payment Stop Notice was issued.

Any failure to make a payment due under the Second Lien Debt Documents as a result of the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined under a Second Lien Financing Agreement) as a consequence of that failure to make a payment in relation to the relevant Second Lien Debt Document; or (ii) the issue of a Second Lien Enforcement Notice on behalf of the Second Lien Secured Creditors.

Payment Obligations and Capitalization of Interest Continue

No Debtor or Third Party Security Provider shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Second Lien Debt Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to Second Lien Secured Creditors and Second Lien Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Second Lien Debt Documents shall continue notwithstanding the issue of a Second Lien Payment Stop Notice.

Cure of Payment Stop—Second Lien Secured Creditors

If:

(i) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Payment Default, that Second Lien Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Senior Payment Default ceases to be continuing; and

(ii) any Debtor then promptly pays to the Second Lien Secured Creditors an amount equal to any Payments which had accrued under the Second Lien Debt Documents and which would have been Permitted Second Lien Payments but for that Second Lien Payment Stop Notice or Senior Payment Default,

then any Event of Default (including any cross default or similar provision under any other Debt Document) which may have occurred as a result of that suspension of Payments shall be waived and any Second Lien Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Second Lien Secured Creditors or any other Creditor or Operating Facility Lender.

Restrictions on Enforcement by Second Lien Secured Creditors

Until the Senior Discharge Date, except with the prior consent of or as required by an Instructing Group:

(i) no Second Lien Secured Creditor shall direct the Security Agent to enforce or otherwise require the enforcement of any security; and/or

(ii) no Second Lien Secured Creditor shall take or require the taking of any Enforcement Action in relation to the Second Lien Liabilities,

except as permitted under the provisions set out below under the caption "*—Permitted Second Lien Enforcement*" below, *provided*, *however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

Permitted Second Lien Enforcement

Subject to the provisions set out under the caption "—E*nforcement on behalf of Second Lien Secured Creditors*," the restrictions set out under the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Second Lien Secured Creditors*" above will not apply if:

(i) an Event of Default (as defined under a Second Lien Financing Agreement, a "**Second Lien Event of Default**") (the "**Relevant Second Lien Default**") is continuing;

(ii) each Senior Agent has received a notice of the Relevant Second Lien Default specifying the event or circumstance in relation to the Relevant Second Lien Default from the relevant Second Lien Agent;

(iii) a Second Lien Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Second Lien Default is continuing at the end of the relevant Second Lien Standstill Period.

Promptly upon becoming aware of a Second Lien Event of Default, the relevant Second Lien Agent may by notice (a "**Second Lien Enforcement Notice**") in writing notify the Senior Agents of the existence of such Second Lien Event of Default.

Second Lien Standstill Period

In relation to a Relevant Second Lien Default, a Second Lien Standstill Period shall mean the period beginning on the date (the "**Second Lien Standstill Start Date**") the relevant Senior Agent serves a Second Lien Enforcement Notice on each of the Senior Agents in respect of such Second Lien Event of Default and ending on the earlier to occur of:

(i) the date falling 120 days after the Second Lien Standstill Start Date;

(ii) the date the Senior Secured Parties (other than the Second Lien Secured Creditors) take any Enforcement Action in relation to a particular Second Lien Borrower or Second Lien Guarantor or Third Party Security Provider, *provided*, *however*, that if a Senior Parent Standstill Period ends pursuant to this paragraph, the Second Lien Secured Creditors may only take the same Enforcement Action in relation to the relevant Second Lien Borrower or Second Lien Guarantor or Third Party Security Provider as the Enforcement Action taken by the Senior Secured Parties (other than the Second Lien Secured Creditors) against such Second Lien Borrower or Second Lien Guarantor or Third Party Security Provider and not against any other member of the Group or other Third Party Security Provider;

(iii) the date of an Insolvency Event in relation to the relevant Second Lien Borrower or a particular Second Lien Guarantor or Third Party Security Provider against whom Enforcement Action is to be taken;

(iv) the expiry of any other Second Lien Standstill Period outstanding at the date such first-mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(v) the date on which the consent of each of the Senior Facility Agent (acting on the instructions of the Majority Senior Lenders), any Senior Notes Trustee (acting on behalf of the Senior Noteholders), any Priority Facility Agent (acting on behalf of the Priority Facility Lenders) and any Senior Creditor Representative (acting on the instructions the Majority Permitted Senior Financing Creditors) has been obtained; and

(vi) a failure to pay the principal amount outstanding under any Second Lien Facility or on any Permitted Second Lien Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding on that Second Lien Facility or on that Permitted Second Lien Financing Debt, as the case may be (*provided* that, unless the Senior Lender Discharge Date and the Senior Notes Tranche Holder Discharge Date has occurred or as otherwise agreed by the Majority Senior / Notes Tranche Lenders and the Company, such final stated maturity does not fall on a date prior to the first anniversary of the latest maturity date under the Senior Facilities Agreement and any Senior Notes Tranche Notes).

Subsequent Second Lien Facility Defaults

The Second Lien Secured Creditors may take Enforcement Action under the provisions set out in caption "*—Permitted Second Lien Enforcement*" in relation to a Relevant Second Lien Default even if, at the end of any relevant Second Lien Standstill Period or at any later time, a further Second Lien Standstill Period has begun as a result of any other Second Lien Event of Default.

Enforcement on behalf of Second Lien Secured Creditors

If the Security Agent has notified the Second Lien Agents that it is enforcing Security created pursuant to any security document over shares of a Second Lien Borrower or a Second Lien Guarantor, no Second Lien Secured Creditor may take any action referred to under the provisions set out under the caption "*—Permitted Second Lien Enforcement*" against that Second Lien Borrower or Second Lien Guarantor (or any Subsidiary of that Second Lien Borrower or Second Lien Guarantor) while the Security Agent is taking steps to enforce that Security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: Second Lien Secured Creditors

Subject to the final two paragraphs of this section below, any of the Second Lien Agent(s) (on behalf of the Second Lien Secured Creditors) may, after an acceleration event under any of the Senior Facilities Agreement, any Senior Notes Indenture or in relation to any Permitted Senior Financing Debt which is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to the Second Lien Secured Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities, the Senior Notes Liabilities, any Permitted Senior Financing Liabilities, any Priority Facility Liabilities and the Operating Facility Liabilities if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Senior Facilities Agreement (in the case of the Senior Lender Liabilities), any Senior Notes Indenture(s) pursuant to which any Senior Notes remain outstanding (in the case of the Senior Notes Liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities) and/or any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities) and/or any Priority Facility Agreement pursuant to which any relevant Priority Facility Liabilities remain outstanding (in the case of the Priority Facility Liabilities);

(ii) any conditions relating to such a transfer contained in the Senior Facilities Agreement (in the case of the Senior Lender Liabilities), any Senior Notes Indenture(s) pursuant to which any Senior Notes remain outstanding (in the case of the Senior Notes Liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities) and/or any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities) and/or any Priority Facility Agreement pursuant to which any relevant Priority Facility Liabilities remain outstanding (in the case of the Priority Facility Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

(iii) each of the Senior Facility Agent (on behalf of the Senior Lenders), the applicable Senior Notes Trustee (on behalf of the relevant Senior Noteholders), the applicable Senior Creditor Representative (on behalf of the relevant Permitted Senior Financing Creditors) and the Operating Facility Lenders is paid the amounts required under the Intercreditor Agreement;

(iv) the applicable Priority Facility Agent, on behalf of the Priority Facility Lenders, is paid the amounts required under the Intercreditor Agreement;

(v) as a result of that transfer the Senior Lenders, the Priority Facility Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors and the Operating Facility Lenders have no further actual or contingent liability to the Company or any other Debtor or a Third Party Security Provider under the relevant Secured Debt Documents;

(vi) an indemnity is provided from each Second Lien Secured Creditor (other than any Second Lien Agent) (or from another third party acceptable to all the Senior Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditor, the Operating Facility Lenders and the Priority Facility Lenders) in a form reasonably satisfactory to each Senior Lender, Priority Facility Lender, Senior Notes Creditor, Permitted Senior

Financing Creditor and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender, Priority Facility Lender, Senior Notes Creditor, Permitted Senior Financing Creditor or Operating Facility Lender in consequence of any sum received or recovered by any Senior Lender, Priority Facility Lender, Senior Notes Creditor, Permitted Senior Financing Creditor or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender, Senior Notes Creditor, Permitted Senior Financing Creditor or Operating Facility Lender for any reason; and

(vii) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders, the Priority Facility Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors or the Operating Facility Lenders, except that each Senior Lender, Senior Notes Creditor, Permitted Senior Financing Creditor and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

Subject to the terms of the Intercreditor Agreement, a Second Lien Agent (on behalf of all the Second Lien Secured Creditors) may only require a transfer of Senior Secured Liabilities if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of Senior Secured Liabilities may be required to be made.

At the request of a Second Lien Agent (on behalf of all the Second Lien Secured Creditors), the Senior Facility Agent, the Priority Facility Agent any relevant Senior Notes Trustee, any relevant Senior Creditor Representative and the Operating Facility Lenders shall notify the Second Lien Agents of the foregoing payable sums in connection with such transfer.

Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the First/Second Lien Discharge Date, no Senior Parent Debt Issuer shall (and no Third Party Security Provider shall and the Company shall ensure that no member of the Group will):

(a) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities except as permitted by the provisions set out below under the captions "*—Permitted Senior Parent Payments*," "*—Permitted Senior Parent Enforcement*," and the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Senior Parent Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement;

(b) exercise any set-off against any Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, except as permitted by the provisions set out under the caption "*—Permitted Senior Parent Payments*" below, the provisions set out under the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors*" below or the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" below or by a refinancing of the Senior Parent Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement; or

(c) create or permit to subsist any security over any assets of any member of the Group or any Third Party Security Provider or give any guarantee (and the Senior Parent Notes Trustee or Senior Parent Creditor Representative, as the case may be, may not, and no Senior Parent Creditor may, accept the benefit of any such security or guarantee from any member of the Group or any Third Party Security Provider) for, or in respect of, any Senior Parent Notes liabilities or any Permitted Parent Financing Liabilities other than:

    (i) guarantees by a member of the Group of any obligations of the Group under the Senior Parent Notes Finance Documents and/or the Permitted Parent Financing Documents;

(ii) at the option of the Company and/or (with respect to any Third Party Security), the relevant Third Party Security Provider, all or any of the transaction security (*provided* that, for the avoidance of doubt, each of the parties agrees that the security shall rank and secure any Senior Parent Notes and any Permitted Parent Financing Debt as set out in "*—Ranking and Priority—Priority of Security*)";

(iii) any security over any assets of any Senior Parent Debt Issuer or Third Party Security Provider (other than, any such assets over which a Senior Parent Debt Issuer has granted security);

(iv) any other security or guarantee provided by a member of the Group or a Third Party Security Provider (the "**Credit Support Provider**") *provided* that, to the extent legally possible:

(A) the Credit Support Provider (other than any Third Party Security Provider) becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

(B) all amounts actually received or recovered by the Senior Parent Notes Trustee, the Senior Parent Creditor Representative or the Senior Parent Creditors, as the case may be, with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "*—Application of Proceeds*";

(C) any such security may only be enforced in accordance with the provisions set out under the caption "*—Enforcement of Security—Security Held by Other Creditors*"; and

(D) such guarantee is expressed to be subject to the Intercreditor Agreement; and

(v) any security, guarantee, indemnity or other assurance against loss from any member of the Group or a Third Party Security Provider in connection with:

(A) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group or a Third Party Security Provider prior to release of those amounts to a member of the Group or a Third Party Security Provider; or

(B) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Operating Facility Liabilities, any Priority Facility Liabilities, any Senior Notes liabilities and/or any Permitted Senior Financing Liabilities (in each case *provided* that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

Permitted Senior Parent Payments

Prior to the First/Second Lien Discharge Date, any member of the Group or Third Party Security Provider may, directly or indirectly, make payments with respect to the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities then due in accordance with the finance documents in relation to the Senior Parent Notes and the Permitted Parent Financing Debt (such payments, collectively, "**Permitted Senior Parent Payments**"):

(a) if:

(i) the payment is of:

(A) any of the principal amount of the Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities which is either (1) not prohibited from being paid by the Senior Financing Agreements; or (2) paid on or after the final maturity date of the relevant Senior Parent Notes liabilities and Permitted Parent Financing Liabilities (subject to certain conditions); or

(B) any other amount which is not an amount of principal or capitalized interest;

(ii) no Senior Parent Payment Stop Notice (as defined below) is outstanding;

(iii) no Senior Payment Default has occurred and is continuing; and

(iv) no payment default under the Second Lien Facility Agreement or the Permitted Second Lien Financing Documents has occurred and is continuing;

(b) if the Required Senior Consent has been obtained;

(c) if consent has been obtained from the Majority Second Lien Lenders and the Majority Permitted Second Lien Financing Creditors or the Creditor Representative in respect of that Permitted Second Lien Financing Debt Senior Lenders (as applicable);

(d) if the payment is of certain amounts due to the Senior Parent Notes Trustee for its own account;

(e) if the payment is made by the relevant Senior Parent Debt Issuer and funded directly or indirectly with amounts which have not been received by that Senior Parent Debt Issuer from another member of the Group;

(f) if the payment is of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(g) if the payment is of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Senior Parent Notes Indenture and any Permitted Parent Financing Documents (including in relation to any reporting or listing requirements under such documents);

(h) if the payment is funded directly or indirectly with Permitted Parent Financing Debt and/or the proceeds of any indebtedness incurred under or pursuant to any Senior Parent Notes;

(i) if the payment is funded directly or indirectly with the proceeds of an Equity Contribution (other than any Equity Contribution received by the Group on or prior to the First Utilisation Date) or Available Shareholder Amounts; or

(j) of any other amount not exceeding €5,000,000 (or its equivalent) in aggregate in any financial year of the Company.

On or after the First/Second Lien Discharge Date, the Debtors may make payments directly or indirectly in respect of the Senior Parents Liabilities at any time.

Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors

Until the Senior Discharge Date, except with the Required Senior Consent, and until the Second Lien Discharge Date, except with the Required Second Lien Consent, no Senior Parent Debt Issuer shall make (and the Company shall procure that no other member of the Group shall make), and neither the Senior Parent Notes Trustee, any holder of Senior Parent Notes or the Permitted Parent Financing Creditors may receive from any other members of the Group, any Permitted Senior Parent Payment (other than, for the avoidance of doubt, a roll-up or capitalization of any amount and certain amounts due to the Senior Parent Notes Trustee for its own account, payments funded by amounts not received from another member of the Group or payments funded by Permitted Parent Financing Debt and/or the proceeds of any indebtedness incurred or pursuant to any Senior Parent Notes) if:

(a) a Senior Payment Default and/or a Second Lien Payment Default is continuing; or

(b) an event of default under the Senior Facilities Agreement, any Second Lien Facility Agreement, any Senior Notes Indenture, any Permitted Senior Financing Agreement and/or any Permitted Second Lien Financing Agreement (a "**Senior Event of Default**") (other than a Senior Payment Default and/or a Second Lien Payment Default) is continuing, from the date which is one business day after the date on which any of the Senior Facility Agent, the Senior Notes Trustee and any Senior Creditor Representative (together, the "**Senior Agents**") delivers a payment stop notice (a "**Senior Parent Payment Stop Notice**") specifying the event or

circumstance in relation to that Senior Event of Default to the Company, the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative until the earliest of:

(i) the date falling 179 days after delivery of that Senior Parent Payment Stop Notice;

(ii) in relation to payments of the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, if a Parent standstill period is in effect at any time after delivery of that payment stop notice, the date on which that standstill period expires;

(iii) the date on which the relevant Senior Event of Default has been remedied or waived in accordance with the Senior Facilities Agreement, any Senior Notes Indenture or any Permitted Senior Financing Agreement (as applicable);

(iv) the date on which the Senior Agent which delivered the relevant Senior Parent Payment Stop Notice delivers a notice to the Company, the Security Agent, the Senior Parent Notes Trustee and the Senior Parent Creditor Representative cancelling the Senior Parent Payment Stop Notice;

(v) the First/Second Lien Discharge Date; and

(vi) the date on which the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative take Enforcement Action permitted under the Intercreditor Agreement against a Debtor and/or a Third Party Security Provider.

Unless the Senior Parent Notes Trustee and any Senior Parent Creditor Representative waive this requirement, (i) a new Senior Parent Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Parent Payment Stop Notice; and (ii) no Senior Parent Payment Stop Notice may be delivered by a Senior Agent in reliance on a Senior Event of Default more than 45 days after the date that Senior Agent received notice of that Senior Event of Default.

The Senior Agents may only serve one Senior Parent Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agents to issue a Senior Parent Payment Stop Notice in respect of any other event or set of circumstances. No Senior Parent Payment Stop Notice may be served by a Senior Agent in respect of a Senior Event of Default which had been notified to the Senior Agents at the time at which an earlier Senior Parent Payment Stop Notice was issued.

Any failure to make a payment due under any Senior Parent Notes Indenture and any Permitted Parent Financing Documents as a result of the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in any Senior Parent Notes Indenture or any Permitted Parent Financing Documents, as applicable) as a consequence of that failure to make a payment in relation to the relevant Senior Parent Notes Indenture and any Permitted Parent Financing Documents; or (ii) the issue of a Senior Parent Enforcement Notice (as defined below) on behalf of the Senior Parent Creditors.

Payment Obligations and Capitalization of Interest Continue

Neither the relevant Senior Parent Debt Issuer, any other Debtor nor Third Party Security Provider shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Parent Notes Indenture and any Permitted Parent Financing Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with any Senior Parent Notes Indenture and any Permitted Parent Financing Document shall continue notwithstanding the issue of a Senior Parent Payment Stop Notice.

Cure of Payment Stop—Senior Parent Creditors

If:

(i) at any time following the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Payment Default, that Senior Parent Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Senior Payment Default ceases to be continuing; and

(ii) the relevant Senior Parent Debt Issuer or the relevant Debtor then promptly pays to the Senior Parent Creditors an amount equal to any payments which had accrued under any Senior Parent Notes Indenture and any Permitted Parent Financing Document and which would have been Permitted Senior Parent Payments but for that Senior Parent Payment Stop Notice or Senior Payment Default,

then any Event of Default (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived and any Senior Parent Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Senior Parent Creditors or any other Creditor or Operating Facility Lender.

Restrictions on Amendments and Waivers

The Intercreditor Agreement provides that the Senior Parent Creditors, the relevant Senior Parent Debt Issuers and other Debtors may amend or waive the terms of the Senior Parent Notes Finance Documents and/or the Permitted Parent Financing Documents in accordance with their respective terms from time to time (and subject only to any consent required under them).

Restrictions on Enforcement by Senior Parent Creditors

Until the First/Second Lien Discharge Date, except with the prior consent of or as required by an Instructing Group:

(i) no Senior Parent Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of, any security; and/or

(ii) no Senior Parent Creditor shall take or require the taking of any Enforcement Action in relation to the guarantees by a member of the Group of any of the obligations of any member of the Group under the Senior Parent Notes Finance Documents and/or Permitted Parent Financing Documents,

except as permitted under the provisions set out below under the caption "*—Permitted Senior Parent Enforcement*" below, *provided*, *however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

Permitted Senior Parent Enforcement

The restrictions set out under the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors*" above will not apply if:

(i) an Event of Default (as defined in any Senior Parent Notes Finance Document and any Permitted Parent Financing Agreement, as applicable, each a "**Senior Parent Event of Default**") (the "**Relevant Senior Parent Default**") is continuing;

(ii) each Senior Agent has received a notice of the Relevant Senior Parent Default specifying the event or circumstance in relation to the Relevant Senior Parent Default from the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (as the case may be);

(iii) a Senior Parent Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Senior Parent Default is continuing at the end of the relevant Senior Parent Standstill Period.

Promptly upon becoming aware of a Senior Parent Event of Default, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative, as the case may be, may by notice (a "**Senior Parent Enforcement Notice**") in writing notify the Senior Agents of the existence of such Senior Parent Event of Default.

Senior Parent Standstill Period

In relation to a Relevant Senior Parent Default, a Senior Parent Standstill Period shall mean the period beginning on the date (the "**Senior Parent Standstill Start Date**") the relevant Senior Agent serves a Senior Parent Enforcement Notice on each of the Senior Agents in respect of such Senior Parent Event of Default and ending on the earlier to occur of:

(i) the date falling 179 days after the Senior Parent Standstill Start Date (the "**Senior Parent Standstill Period**");

(ii) the date the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Parent Notes and/or any Permitted Parent Financing Debt (a "**Senior Parent Guarantor**") and/or a Third Party Security Provider, *provided*, *however*, that if a Senior Parent Standstill Period ends pursuant to this paragraph, the Senior Parent Creditors may only take the same Enforcement Action in relation to the Senior Parent Guarantor and/or a Third Party Security Provider as the Enforcement Action taken by the Senior Secured Parties against such Senior Parent Guarantor and/or a Third Party Security Provider and not against any other member of the Group or other Third Party Security Provider;

(iii) the date of an Insolvency Event in relation to the relevant Senior Parent Debt Issuer or a particular Senior Parent Guarantor or Third Party Security Provider against whom Enforcement Action is to be taken;

(iv) the expiry of any other Senior Parent Standstill Period outstanding at the date such first-mentioned Senior Parent Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(v) the date on which the consent of each of the Senior Facility Agent (acting on the instructions of the Majority Senior Lenders), the Second Lien Facility Agent (acting on the instructions of the Majority Second Lien Lenders), any Senior Notes Trustee (acting on behalf of the Senior Noteholders), any Senior Creditor Representative (acting on the instructions the Majority Permitted Senior Financing Creditors), any Priority Facility Agent (acting on the instructions of the Majority Priority Facility Lenders) and any Second Lien Creditor Representative (acting on the instructions of the Majority Permitted Second Lien Financing Creditors) has been obtained; and

(vi) a failure to pay the principal amount outstanding on any Senior Parent Notes or on any Permitted Parent Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding on the Senior Parent Notes or on the Permitted Parent Financing Debt, as the case may be (*provided* that unless the Senior Lender Discharge Date and the Senior Notes Tranche Holder Discharge Date has occurred or as otherwise agreed by the Majority Senior / Notes Tranche Lenders and the Company, such final stated maturity does not fall on a date prior to the first anniversary of the latest maturity date under the Senior Facilities Agreement and the Senior Notes Tranche Notes).

Subsequent Senior Parent Event of Default

The Senior Parent Finance Parties may take Enforcement Action under the provisions set out in caption "—*Permitted Senior Parent Enforcement*" above in relation to a Relevant Senior *Parent* Default even if, at the end of any relevant Senior Parent Standstill Period or at any later time, a further Senior Parent Standstill Period has begun as a result of any other Senior Parent Event of Default.

Enforcement on Behalf of Senior Parent Creditors

If the Security Agent has notified the Senior Parent Agents that it is enforcing security created pursuant to any security document over shares of a Senior Parent Guarantor, no Senior Parent Creditor may take any action referred to under the provisions set out under the caption "—*Permitted Senior Parent Enforcement*" above against that Senior Parent Guarantor while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: Senior Parent Creditors

Subject to the final two paragraphs of this section below, any of the Senior Parent Notes Trustee and any Senior Parent Creditor Representative (on behalf of the Senior Parent Creditors) may, after an acceleration event under the Senior Facilities Agreement, any Senior Notes or Permitted Senior Financing Debt which is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to the Senior Parent Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the Senior Secured Liabilities and the Operating Facility Liabilities if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Senior Facilities Agreement (in the case of the Senior Lender Liabilities), the Second Lien Facility Agreement (in the case of the Second Lien Lenders Liabilities), any Senior Notes Indenture(s) pursuant to which any Senior Notes remain outstanding (in the case of the Senior Notes liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities), any Permitted Second Lien Financing Agreement pursuant to which any relevant Permitted Second Lien Financing Liabilities remain outstanding (in the case of the Permitted Second Lien Financing Liabilities), any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities) and/or any Priority Facility Agreement pursuant to which any relevant Priority Facility Liabilities remain outstanding (in the case of the Priority Facility Liabilities) (as applicable);

(ii) any conditions relating to such a transfer contained in the Senior Facilities Agreement (in the case of the Senior Lender Liabilities), the Second Lien Facility Agreement (in the case of the Second Lien Lenders Liabilities), any Senior Notes Indenture(s) pursuant to which any Senior Notes remain outstanding (in the case of the Senior Notes liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities), any Permitted Second Lien Financing Agreement pursuant to which any relevant Permitted Second Lien Financing Liabilities remain outstanding (in the case of the Permitted Second Lien Financing Liabilities), any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities), and/or any Priority Facility Agreement pursuant to which any relevant Priority Facility Liabilities remain outstanding (in the case of the Priority Facility Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

(iii) each of the Senior Facility Agent (on behalf of the Senior Lenders), the applicable Priority Facility Agent (on behalf of the Priority Facility Lenders), the Senior Notes Trustee (on behalf of the relevant Senior Noteholders), the applicable Senior Creditor Representative (on behalf of the relevant Permitted Senior Financing Creditors), the Operating Facility Lenders, the Second Lien Facility Agent (on behalf of the Second Lien Lenders) and the applicable Second Lien Creditor Representative (on behalf of the relevant Permitted Second Lien Financing Creditors) is paid the amounts required under the Intercreditor Agreement;

(iv) as a result of that transfer the Senior Lenders, the Priority Facility Lenders, the Second Lien Lenders, the Senior Noteholders, the Permitted Senior Financing Creditors, the Permitted Second Lien Financing Creditors and the Operating Facility Lenders have no further actual or contingent liability to the Company, any other Debtor or a Third Party Security Provider under the relevant Secured Debt Documents;

(v) an indemnity is provided from each Senior Parent Creditor (other than any Senior Parent Agent) (or from another third party acceptable to all the Senior Lenders, the Second Lien Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors, the Permitted Second Lien Financing Creditors, the Operating Facility Lenders and the Priority Facility Lenders) in a form reasonably satisfactory to each Senior Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor, Operating Facility Lender and Priority Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor, Operating Facility Lender or Priority Facility Lender in consequence of any sum received or recovered by any Senior Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second

Lien Financing Creditor, Operating Facility Lender or Priority Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor, Operating Facility Lender or Priority Facility Lender for any reason; and

(vi) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders, the Second Lien Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors, the Permitted Second Lien Financing Creditors, the Operating Facility Lenders or the Priority Facility Lenders, except that each Senior Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor, Operating Facility Lender and Priority Facility Lenders shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

Subject to the Intercreditor Agreement, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (on behalf of all the Senior Parent Creditors) may only require a transfer of Senior Secured Liabilities if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of Senior Secured Liabilities may be required to be made.

At the request of the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (on behalf of all the Senior Parent Creditors), the Senior Facility Agent, the relevant Priority Facility Agent, the Senior Notes Trustee, any relevant Senior Creditor Representative, the Operating Facility Lenders, the Second Lien Facility Agent and any relevant Second Lien Creditor Representative shall notify the Senior Parent Notes Trustee and any Senior Parent Creditor Representative of the foregoing payable sums in connection with such transfer.

Effect of Insolvency Event; Filing of Claims

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any Debtor or any Third Party Security Provider, or, following an acceleration event which is continuing, any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group or (to the extent arising pursuant to the terms of any Third Party Security) that Third Party Security Provider in respect of liabilities owed to that party shall (in the case of any Creditor or Operating Facility Lender, only to the extent that such distribution would otherwise constitute a receipt or recovery of a type subject to the provisions set out below under the caption "—*Turnover*" and, in all cases, if prior to a distress event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent and to the extent it is able to do so (including pursuant to applicable law and regulation), direct the person responsible for the distribution of the assets of that member of the Group or that Third Party Security Provider to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption "—*Application of Proceeds*" below.

Subject to certain exceptions, to the extent that any member of the Group's or Third Party Security Provider's liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any Creditor and any Operating Facility Lender which benefited from that set-off shall (in the case of any Creditor or Operating Facility Lender, only to the extent that such distribution would otherwise constitute a receipt or recovery of a type subject to the provisions set out below under the caption "—*Turnover*" and, in all cases, if prior to a distress event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent, pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under the caption "—*Application of Proceeds*" below and subject to certain exceptions.

Subject to the provisions set out under the caption "—*Application of Proceeds*" below, if the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the liabilities.

After the occurrence of an Insolvency Event in relation to any Debtor or any Third Party Security Provider (or, following an acceleration event which is continuing, any member of the Group), each Creditor and each Operating Facility Lender irrevocably authorizes the Security Agent, on its behalf, to:

(i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group or that Third Party Security Provider's liabilities;

(ii) demand, sue, prove and give receipt for any or all of that member of the Group's liabilities or that Third Party Security Provider's liabilities;

(iii) collect and receive all distributions on, or on account of, any or all of that member of the Group's liabilities or that Third Party Security Provider's liabilities; and

(iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of the Group's liabilities or that Third Party Security Provider's liabilities.

Each Creditor and Operating Facility Lender will (i) do all things that the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) reasonably requests in order to give effect to the matters referred to in this "*—Effect of Insolvency Event; Filing of Claims*" section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this "*—Effect of Insolvency Event; Filing of Claims*" section or if the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) requests that a Creditor or Operating Facility Lender take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) may reasonably require, although neither the Senior Notes Trustee nor the Senior Parent Notes Trustee shall be under any obligation to grant such powers of attorney) to enable the Security Agent to take such action.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if any Creditor or Operating Facility Lender receives or recovers from any member of the Group or (in relation to any Third Party Security) any Third Party Security Provider:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities which is prohibited under the Intercreditor Agreement or, following the occurrence of a Senior Distress Event which is continuing, any Senior Lender Liabilities, Hedging Liabilities, Senior Notes liabilities, Permitted Senior Financing liabilities, Priority Facility liabilities or Operating Facility liabilities;

(ii) other than as referred to in the second paragraph of the caption "*—Effect of Insolvency Event; Filing of Claims*" any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) notwithstanding paragraphs (i) and (ii) above, other than as referred to in the second paragraph of the caption "*—Effect of Insolvency Event; Filing of Claims*" any amount:

    (A) on account of, or in relation to, any of the liabilities after the occurrence of a distress event (including as a result of any litigation or proceedings against a member of the Group or a Third Party Security Provider other than after the occurrence of an Insolvency Event in respect of that member of the Group or that Third Party Security Provider); or

    (B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of a distress event,

    other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption "*—Application of Proceeds*;"

(iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption "—Application of Proceeds;" or

(v) subject to certain exceptions, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group or any Third Party Security Provider which is not in accordance with the provisions set out under the caption "—*Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Group or that Third Party Security Provider,

that Creditor or Operating Facility Lender will, subject to certain exceptions: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) subject to receiving payment instructions and any other relevant information the Security Agent, promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement of Security

Enforcement Instructions

The Security Agent may refrain from enforcing the security unless instructed otherwise by (i) an Instructing Group; (ii) if required as set out in the third paragraph of this section, the Majority Second Lien Creditors or (iii) if required as set out under the fourth paragraph of this section, the "*Majority Senior Parent Creditors*."

Subject to the security having become enforceable in accordance with its terms (i) an Instructing Group; (ii) to the extent permitted to enforce or to require the enforcement of the security prior to the Senior Discharge Date as described under the caption "—*Restrictions Relating to Second Lien Secured Creditors and Second Lien Liabilities*" above, the Majority Second Lien Creditors or (iii) to the extent permitted to enforce or to require the enforcement of the security prior to the First/Second Lien Discharge Date as described under the provisions under the caption "—*Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" above, the Majority Senior Parent Creditors, may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the security as they see fit.

Prior to the Senior Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor or Third Party Security Provider to make a distressed disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Second Lien Creditors are then entitled to give to the Security Agent as described under the provisions under the caption "—*Permitted Second Lien Enforcement*" above.

Prior to the First/Second Lien Discharge Date, (i) if an Instructing Group or the Majority Second Lien Creditors (as applicable) has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group or the Majority Second Lien Creditors (as applicable), and, in each case, an Instructing Group or the Majority Second Lien Creditors (as applicable) has not required any Debtor Third Party Security Provider to make a distressed disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Senior Parent Creditors are then entitled to give to the Security Agent as described under the provisions under the caption "—*Permitted Senior Parent Enforcement*" above. Any obligations of any Debtor and intra-group lender incorporated in Italy are subject to any applicable Italian insolvency law provisions and any other mandatory provisions of Italian law.

Subject to certain provisions of the Intercreditor Agreement, no secured party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent in the manner contemplated by the Intercreditor Agreement.

Manner of Enforcement

If the security is being enforced as set forth above under the caption "—*Enforcement of Security—Enforcement Instructions*," the Security Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator, examiner or equivalent officer of any Debtor or Third Party Security Provider to be appointed by the Security Agent) as:

(a) an Instructing Group;

(b) prior to the Senior Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph under the caption "—*Enforcement of Security*" above, given effect to instructions given by the Majority Second Lien Creditors to enforce the security; and (ii) an Instructing Group or the Majority Second Lien Creditors (as applicable) has not given instructions as to the manner of enforcement of the security, the Majority Second Lien Creditors;

(c) prior to the First/Second Lien Discharge Date, if (i) the Security Agent has, pursuant to the fourth paragraph under the caption "—*Enforcement of Security*" above, given effect to instructions given by the Majority Senior Parent Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Parent Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit (it being understood that, absent such instructions, the Security Agent may elect to take no action).

Exercise of Voting Rights

To the fullest extent permitted under applicable law, each Creditor (other than the Senior Notes Trustee and the Senior Parent Notes Trustee) and each Operating Facility Lender shall agree with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group or any Third Party Security Provider as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, no party can exercise or require any other Creditor or Operating Facility Lender under the Intercreditor Agreement to exercise its power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that Creditor or Operating Facility Lender.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties, each Third Party Security Provider and each Debtor waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Security Held by Other Creditors

If any security is held by a Creditor or Operating Facility Lender other than the Security Agent, then that Creditor or Operating Facility Lender may only enforce that security in accordance with instructions given by an Instructing Group pursuant to the terms of the Intercreditor Agreement (and for this purpose references to the Security Agent shall be construed as references to that Creditor or Operating Facility Lender).

Consultation Period

(a) Subject to paragraph (d) below, before giving any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action, the creditor representative(s) of the creditors of the Group represented in the Instructing Group concerned (and, if applicable, any relevant Hedge Counterparties) shall consult with each other creditor representative, each other Hedge Counterparty, each Operating Facility Lender and the Security Agent in good faith about the

instructions to be given by the Instructing Group for a period of not less than 10 business days (or, in the case of any consultation involving a Senior Notes Trustee, a Senior Parent Notes Trustee or a Creditor Representative in respect of any high-yield notes, debt securities or other similar instruments, 30 days) from the date on which details of the proposed instructions are received by such creditor representative(s), Hedge Counterparties, Operating Facility Lenders and the Security Agent (or such shorter period as each creditor representative, Hedge Counterparty, Operating Facility Lender and the Security Agent shall agree) (the "Consultation Period"), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or take any other Enforcement Action.

(b) Subject to paragraph (c) below, in the event conflicting instructions are received from any other Instructing Group, the Security Agent shall enforce the security, refrain or cease from enforcing the security or, as the case may be, take the relevant other Enforcement Action in accordance with the instructions given by an Instructing Group referred to in paragraph (a)(i)(A) of the definition of Instructing Group (in each case *provided* that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the security documents) and the terms of all instructions given by any other Instructing Group shall be deemed revoked.

(c) If paragraph (a)(i)(B) of the definition of Instructing Group applies, then prior to the Priority Facility Discharge Date, if: (i) the (i) the Priority Creditors have not been fully repaid within six months of the end of the first Consultation Period; (ii) the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action within three months of the end of the first Consultation Period; or (iii) an insolvency event has occurred and the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action at that time, then the Security Agent shall follow the instructions given by the Majority Priority Creditors (in each case *provided* that such instructions are consistent with the Intercreditor Agreement and the security documents).

(d) No Agent or Hedge Counterparty shall be obliged to consult in accordance with paragraph (a) above and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the security or take any other Enforcement Action prior to the end of a Consultation Period (in each case *provided* that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the security documents) if:

    (i) the security has become enforceable as a result of an Insolvency Event; or

    (ii) the Instructing Group or any creditor representative of the Creditors represented in the Instructing Group determines in good faith (and notifies each other creditor representative, the Hedge Counterparties and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the security would reasonably be expected to have a material adverse effect on:

        (A) the Security Agent's ability to enforce any of the security; or

        (B) the realization proceeds of any enforcement of the security and, where this paragraph (b) applies any instructions shall be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting in relation to the matters referred to in sub-paragraphs (A) and (B) above; and the Security Agent shall act in accordance with the instructions first received.

(e) As soon as reasonably practicable following receipt of any instructions from an Instructing Group to enforce the security, refrain or cease from enforcing the security or, as the case may be, take any other Enforcement Action, the Security Agent shall provide a copy of such instructions to each Agent, Hedge Counterparty and Operating Facility Lender (unless it received those instructions from that person).

Duties Owed

Pursuant to the Intercreditor Agreement, each of the Secured Parties, the Debtors and the Third Party Security Providers acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the First/Second Lien Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to the Senior Parent Creditors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall, subject to the section entitled Distressed Disposals below, be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Third Party Security Providers and the Debtors under general law.

Proceeds of Disposals

Non-Distressed Disposals

The Security Agent is irrevocably authorized and instructed (at the request and cost of the relevant Debtor, Third Party Security Provider or the Company) to promptly release (or procure that any other relevant person releases):

(i) any security (and/or any other claim relating to a debt document) over any asset which is the subject of:

  (A) a disposal not prohibited by the terms of the Senior Facilities Agreement, any Senior Notes Indenture, any Permitted Senior Financing Agreement, the Second Lien Facility Agreement, any Permitted Second Lien Financing Agreement, any Senior Parent Notes Indenture and any Permitted Parent Financing Agreement (each a "**Debt Financing Agreement**") or a Third Party Security (including a disposal to a member of the Group, but without prejudice to any obligation of any member of the Group or any Third Party Security Provider in a Debt Financing Agreement to provide replacement security); or

  (B) any other transaction not prohibited by the terms of any Debt Financing Agreement or any Third Party Security pursuant to which that asset will cease to be held or owned by a member of the Group or, as applicable, a Third Party Security Provider;

(ii) any security (and/or any other claim relating to a debt document) over any document or other agreement requested in order for any member of the Group or any Third Party Security Provider, as applicable, to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Debt Financing Agreement);

(iii) any security (and/or any other claim relating to a debt document) over any asset of any member of the Group or any Third Party Security Provider, as applicable, which has ceased to be a Debtor or a Third Party Security Provider, as applicable (or will cease to be a Debtor or a Third Party Security Provider, as applicable simultaneously with such release);

(iv) any security which is relevant to any merger, consolidation, reorganization or transaction not prohibited by the terms of any Debt Financing Agreement or any Third Party Security whereby a release of an asset is required to effect such merger, consolidation, reorganization or transaction (subject to any obligation under the Debt Documents to re-take such security); and

(v) any security (and/or any other claim relating to a debt document) over any other asset to the extent that such release is in accordance with the terms of the Debt Financing Agreements.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor (including in connection with the resignation of that Debtor or the Debtor being designated as an Unrestricted Subsidiary), the Security Agent (on behalf of itself and the Secured Parties) shall (at the request and cost of the relevant Debtor or the Company) promptly release (or procure the release of) that Debtor and its subsidiaries (and its and their assets) from all present and future liabilities under the Secured Debt Documents.

When making any request for a release pursuant to this "—*Non-Distressed Disposals*" section, the Company shall confirm in writing to the Security Agent that:

(i) in the case of any release requested pursuant to paragraph (i) or (ii) above, the relevant disposal or other action is not prohibited by the terms of any Debt Financing Agreement; or

(ii) in the case of any release requested pursuant to paragraph (iv) above, the relevant release is in accordance with the terms of the Debt Financing Agreements,

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent shall (at the cost and expense of the relevant Debtor or Third Party Security Provider or the Company but without the need for any further consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party, Debtor or Third Party Security Provider) promptly enter into and deliver such documentation and/or take such other action as the Company (acting reasonably) shall require to give effect to any release or other matter described above.

Without prejudice to the foregoing and for the avoidance of doubt, if requested by the Company in accordance with the terms of any of the Debt Financing Agreements (and *provided* that the requested action is not expressly prohibited by any of the other Debt Financing Agreements), the Security Agent and the other Creditors and Operating Facility Lenders shall (at the cost of the relevant Debtor, the relevant Additional Security Provider and/or the Company) promptly execute any guarantee, security or other release and/or any amendment, supplement or other documentation relating to the security documents as contemplated by the terms of any of the Debt Financing Agreements (and the Security Agent is authorized to execute, and will promptly execute if requested by the Company, without the need for any further consent, sanction, authority or further confirmation from any Creditor or Operating Facility Lender, any such release or document on behalf of the Creditors and the Operating Facility Lenders). When making any request pursuant to this paragraph (d) the Company shall confirm in writing to the Security Agent that such request is in accordance with the terms of a Debt Financing Agreement (and the requested action is not expressly prohibited by way of any of the other Debt Financing Agreements) and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

In the case of any release of security requested by the Company as part of a transaction permitted by the Senior Facilities Agreement and/or the Bridge Facility Agreement or pursuant to the equivalent provision of any Second Lien Facility Agreement as part of a Permitted Transaction (as that term is defined in the Second Lien Facility Agreement) (each a "Permitted Transaction Request"), when making that request the Company shall confirm to the Security Agent that: (i) such request is a Permitted Transaction Request (absent which statement the Security Agent shall be entitled to assume that the request is not a Permitted Transaction Request); and (ii) it has determined in good faith that it is either not possible or not desirable to implement the relevant transaction on terms satisfactory to the Company by instead granting additional security and/or amending the terms of the existing security.

Notwithstanding anything to the contrary in any Debt Document, nothing in any security document shall operate or be construed so as to prevent any transaction, matter or other step not prohibited by the terms of the Intercreditor Agreement or the Debt Financing Agreements (a "Permitted Action"). The Security Agent (on behalf of itself and the Secured Parties) hereby agrees (and is irrevocably authorized and instructed to do so without any consent, sanction, authority or further confirmation from any Party) that it shall (at the request and cost of the relevant Debtor or the Company) promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any security document) as is requested by the Company in order to complete, implement or facilitate a Permitted Action. In the event that the Company makes any request pursuant to and in reliance on the preceding sentence, the Security Agent shall be permitted to request a confirmation from the Company that the relevant transaction, matter or other step is a Permitted Action and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

If any member of the Group is required or permitted under the Senior Debt Documents to apply the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of the Senior Liabilities then no such application of those proceeds shall require the consent of any other party or result in any breach of any

Senior Parent Finance Documents and such application shall discharge in full any obligation to apply those proceeds in prepayment, redemption or other discharge or reduction of any Senior Parent Liabilities. This paragraph is without prejudice to any right of any member of the Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Parent Liabilities to the extent permitted or contemplated by the Intercreditor Agreement or any other Senior Debt Document.

The Security Agent is irrevocably authorized by each Secured Party to (and will on the request and at the cost of the Company):

(i) release the security; and

(ii) release each Third Party Security Provider, each investor, each Debtor and each other member of the Group from all liabilities, undertakings and other obligations under the Secured Debt Documents, on the Final Discharge Date (or at any time following such date on the request of the Company).

Distressed Disposals

Generally, a "Distressed Disposal" is a disposal of an asset of a member of the Group which is (a) being effected at the request of an Instructing Group in circumstances where a security interest has become enforceable in accordance with the terms of the relevant security document(s), (b) being effected by enforcement of a security interest in accordance with the terms of the relevant security document(s) or (c) being disposed of to a third party subsequent to a distress event.

If a Distressed Disposal of any asset of a member of the Group is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor, the relevant Third Party Security Provider or the Company and without any consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party, Debtor or Third Party Security Provider):

(i) to release the security interest or any other claim over that asset and execute and deliver or enter into any release of that security interest or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release:

  (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;

  (B) any security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

  (C) any other claim of an investor, an intra-group lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

  on behalf of the relevant Creditors, Operating Facility Lenders, Debtors, Third Party Security Providers and certain creditor representatives;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release:

  (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities;

  (B) any security interest granted by that holding company or any subsidiary of that holding company over any of its assets; and

  (C) any other claim of any investor, any intra-group lender or another Debtor over that holding company's assets or the assets of any subsidiary of that holding company,

on behalf of the relevant Creditors, Operating Facility Lenders, Debtors, Third Party Security Providers and certain creditor representatives;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities or the Debtor liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities or Debtor liabilities (the "**Transferee**") will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or Debtor liabilities, *provided* that, notwithstanding any other provision of any debt document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of: all (and not part only) of the liabilities owed to the Primary Creditors and Operating Facility Lenders and all or part of any other liabilities and the Debtor liabilities,

On behalf of, in each case, the relevant Creditors, Operating Facility Lenders, Debtors and Third Party Security Providers;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "**Disposed Entity**") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the intra-group liabilities or the Debtor liabilities, to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (if the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Senior Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or Debtor liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtor liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "—*Application of Proceeds*" (to the extent that the asset disposed of constituted charged property), as if those proceeds were the proceeds of an enforcement of the relevant security interest and, to the extent that any disposal of liabilities or Debtor liabilities has occurred, as if that disposal of liabilities or Debtor liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities) effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

Where Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities would otherwise be released pursuant to the Intercreditor Agreement, the Creditor or Operating Facility Lender concerned may elect to have those Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities transferred to the Company in which case the Security Agent is irrevocably authorized (to the extent legally possible and at the cost of the relevant Debtor, the relevant Third Party Security Provider or the Company and without any consent, sanction, authority or further confirmation from any

Creditor, Operating Facility Lender, other Secured Party, Debtor or Third Party Security Provider) to execute such documents as are required to so transfer those Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities.

Subject to the immediately following two paragraphs, in the case of a Distressed Disposal effected by or at the request of the Security Agent (acting in accordance with the Intercreditor Agreement), unless the consent of each Senior Agent is otherwise obtained, it is a further condition to any release, transfer or disposal that the proceeds of such disposal are in cash (or substantially all in cash) and such sale or disposal is made pursuant to a public auction in respect of which the Primary Creditors are entitled to participate or where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances, including the method of enforcement, *provided* that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If prior to the Second Lien Discharge Date a Distressed Disposal is being effected such that any Second Lien Liabilities will be released or disposed of, or any security securing the Second Lien Liabilities will be released, it is a further condition to the release that either:

(a) each Second Lien Agent has approved the release; or

(b) where shares or assets of a Second Lien Borrower or a Second Lien Guarantor are sold:

  (i) the proceeds of such sale or disposal are in cash (or substantially in cash); and

  (ii) all claims of the Senior Creditors, the Senior Notes Creditors, the Permitted Senior Financing Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any) all of whose shares (other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates) and all security under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, *provided* that if each of the Senior Facility Agent, any Senior Notes Trustee, any Senior Creditor Representative and any Priority Facility Agent (acting reasonably and in good faith):

    (A) determines that the Senior Secured Creditors will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its Affiliates and not released and discharged; and

    (B) serves a written notice on the Security Agent confirming the same, the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

  (iii) such sale or disposal is made:

    (A) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

    (B) where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement, *provided* that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If prior to the first date on which the discharge date for the Senior Parent Notes and any Permitted Parent Financing Debt has occurred, a Distressed Disposal is being effected such that, generally, the guarantees of the Senior Parent Notes and the guarantees of any Permitted Parent Financing Debt or any security over the assets of a Senior Parent Debt Issuer or any Senior Parent Guarantor will be released and/or the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities will be released, it is a further condition to the release that either:

- each Senior Parent Agent has approved the release; or
- where shares or assets of a Senior Parent Guarantor or assets of the Senior Parent Debt Issuer are sold:

    (A) the proceeds of such sale or disposal are in cash (or substantially in cash);

    (B) all claims of the Senior Secured Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) or its assets are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security interests under the security documents in respect of such shares or such assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, *provided* that, if each Senior Agent (acting reasonably and in good faith):

        (I) determines that the Senior Secured Creditors will recover a greater amount if such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

        (II) serves a written notice on the Security Agent confirming the same,

    the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

    (C) such sale or disposal is made:

        (I) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

        (II) where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement, *provided* that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Application of Proceeds

The Intercreditor Agreement provides that the rights of Secured Parties shall be subject to the priorities set out in this section.

Order of Application

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any debt document or in connection with the realization or enforcement of all or any part of the relevant security interests (for the purposes of this "*—Application of Proceeds*" section and the "*—Equalization of the Senior Secured Creditors*" section, the "Recoveries") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this "*—Application of Proceeds*" section), in the following order of priority:

(i) in discharging any sums owing to the Senior Facility Agent (in respect of the amounts due to the Senior Agent), any Senior Creditor Representative (in respect of amounts due to the Senior Creditor Representative), any Senior Parent Creditor Representative (in respect of amounts due to the Senior Parent Creditor Representative), any Priority Facility Agent (in respect of amounts due to the Priority Facility Agent) any Second Lien Agent (in respect of amounts due to Second Lien Agent), any Second Lien Creditor Representative (in respect of amounts due to Second Lien Creditor Representative) or certain amounts due to the Senior Notes Trustee or amounts due to the Senior Parent Notes Trustee, or any sums owing to the Security Agent, any receiver or any delegate on a *pro rata* and *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent, Primary Creditor or Operating Facility Lender in connection with any realization or enforcement of the security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) in respect of recoveries resulting from the realization or enforcement of all or any part of the transaction security or a transaction in lieu thereof, in payment to:

(A) the Priority Facility Agent on its own behalf and on behalf of the Priority Facility Arrangers and Priority Facility Lenders; and

(B) the Hedge Counterparties;

for application towards the discharge of:

(I) the Priority Facility Arranger liabilities and the Priority Facility liabilities (in accordance with the terms of the Priority Facility Finance Documents); and

(II) the Priority Hedging liabilities (on a pro rata basis between the Priority Hedging Liabilities of each Hedge Counterparty);

On a pro rata basis and pari passu between paragraphs (1) and (2) above;

(iv) in payment to:

(A) the Priority Facility Agent on its own behalf and on behalf of the Priority Facility Arrangers and Priority Facility Lenders;

(B) the Senior Facility Agent on its own behalf and on behalf of the arrangers under the Senior Facilities Agreement and the Senior Lenders;

(C) the Hedge Counterparties; and

(D) the Operating Facility Lenders;

(E) the Senior Notes Trustee on its own behalf and on behalf of the holders of the Senior Notes; and

(F) each Senior Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Senior Financing Debt and the Permitted Senior Financing Creditors; and for application towards the discharge of:

(I) the Priority facility Arranger Liabilities and the Priority Facility Liabilities (in accordance with the terms of the Priority facility finance Documents);

(II) the liabilities of the Debtors owed to the arrangers under or in connection with the Senior Facilities and the Senior Lender Liabilities (in accordance with the terms of the finance documents in relation to the Senior Facilities);

(III) the Hedging Liabilities (on a *pro rata* basis between the Hedging Liabilities of each Hedge Counterparty); and

(IV) the Operating Facility Liabilities (on a *pro rata* basis between the Operating Facility Liabilities of each Operating Facility Lender);

(V) the Senior Notes liabilities (other than sums owing to the Security Agent) (in accordance with the terms of the Indenture and other finance documents for the Senior Notes);

(VI) the liabilities of the Debtors owing to the arrangers of the Permitted Senior Financing Debt and the Permitted Senior Financing Liabilities (other than the liabilities owing to a Senior Creditor Representative) (in accordance with the terms of the Permitted Senior Financing Documents and, if there is more than one Permitted Senior Financing Agreement, on a *pro rata* basis between the Permitted Senior Financing Debt in respect of each Permitted Senior Financing Agreement);

on a *pro rata* basis and *pari passu* between the immediately preceding paragraphs (I) to (VI) above;

(v) in payment to:

(A) the Second Lien Facility Agent on its own behalf and on behalf of the Second Lien Arrangers and the Second Lien Lenders; and

(B) each Second Lien Creditor Representative on its own behalf and on behalf of the Permitted Second Lien Financing Arrangers and the Permitted Second Lien Financing Creditors, for application towards the discharge of:

(I) the Second Lien Arranger Liabilities and the Second Lien Lender Liabilities (in accordance with the terms of the Second Lien Finance Documents); and

(II) the Permitted Second Lien Financing Arranger Liabilities and the Permitted Second Lien Financing Liabilities (other than the Permitted Second Lien Financing Agent Liabilities) (in accordance with the terms of the Permitted Second Lien Financing Documents and, if there is more than one Permitted Second Lien Financing Agreement, on a *pro rata* basis between the Permitted Second Lien Financing Debt in respect of each Permitted Second Lien Financing Agreement),

on a *pro rata* basis and *pari passu* between the immediately preceding paragraphs (I) and (II) above;

(vi) in payment to:

(A) each Senior Parent Notes Trustee on its own behalf and on behalf of the Senior Parent Noteholders; and

(B) each Senior Parent Creditor Representative on its own behalf and on behalf of the arrangers under the Permitted Parent Financing Debt and the Permitted Parent Financing Creditors, for application towards the discharge of:

(I) the Senior Parent Notes liabilities (other than any sums owing to the Security Agent) (in accordance with the terms of the Senior Parent Notes Finance Documents); and

(II) the liabilities of the Debtors owed to the arrangers of the Permitted Parent Financing Debt and the Permitted Parent Financing Liabilities (other than the liabilities owing to a Senior Parent Creditor Representative) (in accordance with the terms of the Permitted Parent Financing Documents and, if there is more than one Permitted Parent Financing Agreement, on a *pro rata* basis between the Permitted Parent Financing Debt in respect of each Permitted Parent Financing Agreement),

on a *pro rata* basis and *pari passu* between the immediately preceding paragraphs (I) and (II) above;

(vii) if none of the Debtors or (to the extent relating to a Third Party Security Provider) Third Party Security Providers is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor or any Third Party Security Provider; and

(viii) the balance, if any, in payment to the relevant Debtor or Third Party Security Provider.

The Security Agent is authorized under the Intercreditor Agreement to hold any non-cash consideration received or recovered in connection with the realization or enforcement of all or any part of the security until cash is received for any such non-cash consideration, *provided* that the Security Agent may distribute any such non-cash consideration to a Secured Party which has agreed, on terms satisfactory to the Security Agent, to receive such non-cash consideration and the liabilities owed to that Secured Party shall be reduced by an amount equal to the value of that non-cash consideration upon receipt by that Secured Party of that non-cash consideration.

Liabilities of the Senior Parent Debt Issuer

Generally, all amounts from time to time received or recovered by the Security Agent from or in respect of the Senior Parent Debt Issuer pursuant to the terms of any debt document (other than in connection with the realization or enforcement of all or any part of the relevant security interests) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law in the following order of priority:

(i) in accordance with paragraph (i) of the section captioned "*—Order of Application*;"

(ii) in accordance with paragraph (ii) of the section captioned "*—Order of Application*;"

(iii) in accordance with paragraphs (iv) to (vi) of the section captioned "*—Order of Application*," *provided* that payments will be made on a *pro rata* basis and *pari passu* between each of the payments referred to in paragraphs (iv) and (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where the relevant Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower) (vi);

(iv) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor or any Third Party Security Provider; and

(v) the balance, if any, in payment to the relevant Debtor or Third Party Security Provider.

Equalization of the Senior Secured Creditors

If, for any reason, any Senior Creditor Liabilities, Senior Notes Liabilities, Permitted Senior Financing Liabilities or Operating Facility Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the relevant Senior Secured Creditors and the Operating Facility Lenders in the proportions which their respective exposures at the relevant enforcement date bore to the aggregate exposures of all the relevant Senior Secured Creditors and the Operating Facility Lenders at the enforcement date, the relevant Senior Secured Creditors and the Operating Facility Lenders will make such payments among themselves as the Security Agent shall require to put the relevant Senior Secured Creditors and the Operating Facility Lenders in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated under the section "*—Application of Proceeds—Order of Application*").

Turnover of Enforcement Proceeds

If:

(a) the Security Agent or the relevant Agent is not entitled, for reasons of applicable law, to pay amounts received pursuant to the making of a demand under any guarantee, indemnity or other assurance against loss or the enforcement of the security to the Senior Secured Creditors and the Operating Facility Lenders but is entitled to distribute those amounts to Creditors (such Creditors, the "Receiving Creditors") who, in accordance with the terms of the Intercreditor Agreement, are subordinated in right and priority of payment to the Senior Secured Creditors and the Operating Facility Lenders; and

(b) the First/Second Lien Discharge Date has not yet occurred (nor would occur after taking into account such payments), then the Receiving Creditors shall make such payments to the Senior Secured Creditors and the Operating Facility Lenders as the Security Agent shall require to place the Senior Secured Creditors and the Operating Facility Lenders in the position they would have been in had such amounts been available for application against the Senior Liabilities and the Operating Facility Liabilities, provided this shall not apply to any receipt or recovery that has been distributed by:

    (i) a Senior Notes Trustee to the Senior Noteholders in accordance with the Senior Notes finance documents;

    (ii) a Senior Parent Notes Trustee to the Senior Parent Noteholders in accordance with the Senior Parent Notes Finance Documents;

    (iii) a Senior Creditor Representative to the Permitted Senior Financing Creditors in accordance with the Permitted Senior Financing Documents;

    (iv) a Second Lien Creditor Representative to the Permitted Second Lien Financing Creditors in accordance with the Permitted Second Lien Financing Documents; or

    (v) a Senior Parent Creditor Representative to the Permitted Parent Financing Creditors in accordance with the Permitted Parent Financing Documents,

unless the Senior Notes Trustee, the Senior Parent Notes Trustee, the Senior Creditor Representative, the Second Lien Creditor Representative or the Senior Parent Creditor Representative (as applicable) had received at least two Business Days' prior written notice (in accordance with the Intercreditor Agreement) that an acceleration event or an insolvency event in relation to a Debtor or a Third Party Security Provider had occurred or that the receipt or recovery falls within the provisions set out under the caption "—*Turnover*" prior to distribution of the relevant amount.

Group Pushdown

The Intercreditor Agreement, generally, provides that on, in contemplation of, or after, a listing of all or part of the share capital of the Company or any of its subsidiaries on any recognised investment exchange or any other sale or issue by way of flotation or public offering in relation to the Company or any such subsidiary in any jurisdiction (a "**Listing**," and the relevant member of the Group who will issue shares, or whose shares are sold pursuant to the listing, the "**IPO Entity**"), at the Company's option:

(i) the Group shall comprise only the IPO Entity and its subsidiaries from time to time;

(ii) the IPO Entity shall take on the Company's role under the Intercreditor Agreement;

(iii) none of the representations, warranties, undertakings or other provisions of the Intercreditor Agreement shall apply to any holding company of the IPO Entity (whether in its capacity as a Debtor or otherwise);

(iv) no event, matter or circumstance relating to any holding company of the IPO Entity (whether in its capacity as a Debtor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term of the Intercreditor Agreement or a default or an event of default;

(v) each holding company of the IPO Entity shall be irrevocably and unconditionally released from all obligations under the Intercreditor Agreement and the security documents (including any security granted by any such holding company); and

(vi) unless otherwise notified by the Company:

(A) each person which is party to the Intercreditor Agreement as an investor shall be irrevocably and unconditionally released from the Intercreditor Agreement and all obligations and restrictions under the Intercreditor Agreement (and from the date specified by the Company that person shall cease to be party to the Intercreditor Agreement as an investor and shall have no further rights or obligations under the Intercreditor Agreement as an investor); and

(B) there shall be no obligation or requirement for any person to become party to the Intercreditor Agreement as an investor, such amendments being a "Group Pushdown."

In the event that any person is released from or does not become party to the Intercreditor Agreement as an investor as a consequence of the above paragraph, any term of any debt document which requires or assumes that any person be an investor or that any liabilities or obligations to such person be subject to the Intercreditor Agreement or otherwise subordinated shall cease to apply.

The Company must provide written notice to the Security Agent in order to implement a Group Pushdown. Such a notice may be revoked prior to the Listing to which it relates *provided* that (where requested by an Instructing Group) any security which was released is reinstated and any investor which was released from its obligations under the Intercreditor Agreement accedes again.

The parties to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of it and/or take such other action as is required by the Company to facilitate or reflect any of the matters contemplated by the preceding paragraph and the Security Agent is irrevocably authorized to promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any security document) as is requested in order to complete, implement or facilitate such matters.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it and/or a security document may be amended or waived only with the written consent of:

(i) if the relevant amendment or waiver (the "**Proposed Amendment**") is prohibited by the Senior Facilities Agreement, the Senior Facility Agent (acting on the instructions of the requisite Senior Lenders in accordance with the applicable provisions of the Senior Facilities Agreement);

(ii) if any Priority Facility has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Priority Facility Agreement, the Priority Facility Agent in respect of that Priority Facility (if applicable, acting on the instructions of the Majority Priority Facility Lenders);

(iii) if any Senior Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Notes Indenture, the Senior Notes Trustee;

(iv) if any Second Lien Debt has been incurred and the Proposed Amendment is prohibited by the terms of the Second Lien Facility Agreement, the Second Lien Facility Agent (acting on the instructions of the requisite Second Lien Lenders in accordance with the terms of the Second Lien Facility Agreement);

(v) if any Permitted Senior Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Financing Agreement, the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (if applicable, acting on the instructions of the Majority Permitted Senior Financing Creditors);

(vi) if any Permitted Second Lien Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Second Lien Financing Agreement, the Second Lien Creditor Representative in respect of that Permitted Second Lien Financing Debt (if applicable, acting on the instructions of the Majority Permitted Second Lien Financing Creditors);

(vii) if any Senior Parent Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Parent Notes Indenture, the Senior Parent Notes Trustee;

(viii) if any Permitted Parent Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Parent Financing Agreement, the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt (if applicable, acting on the instructions of the Majority Permitted Parent Financing Creditors);

(ix) if a Hedge Counterparty is providing hedging to a Debtor under a hedging agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty);

(x) if an Operating Facility Lender is providing one or more facility to a Debtor under an Operating Facility Document, that Operating Facility Lender (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Operating Facility Lender and is an amendment or waiver which is expressed to require the consent of that Operating Facility Lender under the applicable Operating Facility Document, as notified by the Company to the Security Agent at the time of the relevant amendment or waiver);

(xi) certain investors (as permitted under the Intercreditor Agreement); and

(xii) the Company.

Notwithstanding the foregoing, any amendment or waiver of any Secured Debt Document that is made or effected in connection with any Debt Refinancing (see "*—Debt Refinancing*"), any incurrence of additional and/or refinancing debt (as referred to in "*—Ranking and Priority—Additional and/or Refinancing Debt*") or Non-Distressed Disposal (see "*—Proceeds of Disposals—Non-Distressed Disposals*") or in connection with any other provision of any Secured Debt Document (*provided* that such amendment or waiver is not expressly prohibited by the terms of any other Secured Debt Document) shall be binding on all parties to the Intercreditor Agreement.

The Intercreditor Agreement or a security document may be amended by the Company and the Security Agent without the consent of any other party, to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or as otherwise for the benefit of all or any of the Secured Parties. Any amendment, waiver or consent which relates only to the rights or obligations applicable to creditors under a particular Debt Financing Agreement (and which does not materially and adversely affect the rights or interests of creditors under other Debt Financing Agreements) may be approved with only the consent of the creditor representative in respect of that Debt Financing Agreement and the Company.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any debt document expressly provide otherwise, the Security Agent may, if authorized by an Instructing Group, and if the Company and (in the case of any security document to which a Third Party Security Provider is a party) the relevant Third Party Security Provider consents, amend the terms of, waive any of the requirements of or grant consents under, any of the security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned "*—Exceptions*" below, any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the security are distributed requires approval as set out under the section captioned "*—Required Consents.*"

Exceptions

Subject to the following paragraph of this "—*Exceptions*" section, an amendment, waiver or consent which adversely relates to the express rights or obligations of an agent, an arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that agent, that arranger or the Security Agent (as the case may be) at such time.

The foregoing shall not apply:

- to any release of security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out under the caption "—*Proceeds of Disposals*" above.

The first paragraph of this "—*Exceptions*" section shall apply to an arranger only to the extent that the arranger liabilities are then owed to that arranger.

Agreement to Override

The Intercreditor Agreement provides that, unless otherwise expressly stated therein, the Intercreditor Agreement overrides anything in the debt documents to the contrary.

OFFER RESTRICTIONS

This Exchange Offer Memorandum does not constitute an offer to participate in the EUR TIF Exchange Offer in any jurisdiction in which, or to any person to or from whom, it is unlawful to engage in the EUR TIF Exchange Offer or for there to be such participation under applicable securities laws. The distribution of this Exchange Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this Exchange Offer Memorandum comes are required by each of the Issuer, the Dealer Managers and the Exchange and Information Agent to inform themselves about, and to observe, any such restrictions. Noteholders should carefully review the restrictions and limitations applicable in certain jurisdictions and the manner in which this Exchange Offer Memorandum and any other offering material or advertisement in connection with the EUR TIF Exchange Offer will be made available in such jurisdictions, as set forth below.

No action has been or will be taken in any jurisdiction by the Issuer, the Dealer Managers or the Exchange and Information Agent in relation to the EUR TIF Exchange Offer that would permit a public offering of securities or the possession, circulation or distribution of this EUR TIF Exchange Offer Memorandum or any other offering material or advertisement in connection with the EUR TIF Exchange Offer, in any country or jurisdiction where regulatory filings, authorizations or any other action for that purpose would be required. Accordingly, neither the EUR TIF New Notes nor the EUR Optics Notes may be issued, offered, sold, exchanged or substituted directly or indirectly, and neither this Exchange Offer Memorandum nor any other offering material or advertisement in connection with the EUR TIF Exchange Offer may be distributed or published, in or from any such jurisdiction, except in compliance with any applicable rules or regulations of any such country or jurisdiction.

In this Section references to "Notes" shall refer to the "EUR TIF New Notes" and "EUR Optics (TIF) Notes".

United States

The 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 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.

European Economic Area

The 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 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 MiFID II; or (ii) a customer within the meaning of 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 the Prospectus Regulation. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

This Exchange Offer Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

United Kingdom

The 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. For the 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 UK 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 UK MiFIR; 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 the UK PRIIPs Regulation for offering, selling or distributing the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and, therefore, offering, selling or distributing the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

The communication of the Exchange Offer Memorandum and any other documents or materials relating to the EUR TIM Exchange Offers are not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to persons in the United Kingdom who are Investment Professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**")) or within Article 49(2)(a) to (d) of the Order, or any other persons to whom it may otherwise lawfully be made under the Order (such persons together being the "**Relevant Persons**"). The Exchange Offer Memorandum is only available to Relevant Persons and the transactions contemplated herein will be available only to, or engaged in only with, Relevant Persons, and this financial promotion must not be relied or acted upon by persons other than Relevant Persons.

Any person dealing with the Notes in a transaction conducted in, from or otherwise involving the United Kingdom:

1. may only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer; and

2. must comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than to (1) "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder, or (2) in circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of the laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No invitation, advertisement or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), 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 the Notes which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors," as defined under the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong and any rules made thereunder.

Republic of Italy

No action has been or will be taken which could allow an offering to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of the Italian Financial Services Act and, in particular, the Exchange Offers have not been submitted to and/or cleared by CONSOB (the Italian securities exchange commission) and the offering of the Notes described in this Exchange Offer Memorandum has not been registered with CONSOB pursuant to Italian securities legislation and will not be subject to formal review or clearance by CONSOB. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, nor may copies of the following Exchange Offer Memorandum or of any other document relating to the Notes described in this Exchange Offer Memorandum be distributed in the Republic of Italy, except: (a) to qualified investors (*investitori qualificati*) ("**Qualified Investors**") pursuant to Article 2, paragraph (e) of the Prospectus Regulation, Article 100 of the Italian Financial Services Act, and implementing CONSOB regulations, including CONSOB Regulation No. 11971 of May 14, 1999, as amended ("**Issuers' Regulation**") and CONSOB Regulation No. 20307 of February 15, 2018, as amended ("**CONSOB Regulation on**

Intermediaries") or (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 100 of the Italian Financial Services Act, Article 34-ter of the Issuers' Regulation and the applicable Italian laws and regulations.

The Notes may not be offered, sold or delivered and neither this Exchange Offer Memorandum nor any other material relating to the Notes may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Exchange Offer Memorandum or any other offering material or other documentation relating to the Notes in the Republic of Italy is made in compliance with the selling restrictions above and must be made as follows: (a) by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r, of the Italian Financial Services Act) permitted to conduct such activities in Italy in accordance, as applicable, with the Italian Banking Act as subsequently integrated and amended, the Italian Financial Services Act, the Issuers' Regulation, the CONSOB Regulation on Intermediaries and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirements or limitations which may be imposed from time to time 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 issued on August 25, 2015, as amended on August 10, 2016 and November 2, 2020 and as further amended from time to time) and/or any other competent Italian authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer, sale, delivery or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

France

This Exchange Offer Memorandum has not been prepared and is not being distributed in the context of an offer to the public of financial securities in France within the meaning of Article L.411 1 of the French Code monétaire et financier and Title 1 of Book II of the Règlement Général de l'Autorité des Marchés Financiers, and has not been approved by, registered or filed with the Autorité des marchés financiers (the "**AMF**"), nor any competent authority of another EEA Member State that would have notified its approval to the AMF under the Prospectus Regulation as implemented in France and in any relevant EEA Member State. Therefore, the Notes may not be, directly or indirectly, offered or caused to be offered or sold to the public in France (offre au public de titres financiers) and this Exchange Offer Memorandum and any other offering or marketing material or information relating to the Notes has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sales of the Notes to the public in France in any way that would constitute, directly or indirectly, an offer to the public in France. Offers, sales and distributions have only been and shall only be made in France to qualified investors (investisseurs qualifiés) acting solely for their own account (*agissant pour compte propre*) and/or to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), all as defined in and in accordance with Articles L.411 1, L.411 2, D.411 1, D.411 4, D.744 1, D.754 1 and D.764 1 of the French Code monétaire et financier. Prospective investors are informed that (a) this Exchange Offer Memorandum has not been and will not be submitted for clearance to the AMF, (b) in compliance with Articles L.411 2, D.411 1, D.411 4, D.744 1, D.754 1 and D.764 1 of the French Code monétaire et financier, any qualified investors subscribing for the Optics Notes should be acting for their own account (agissant pour compte propre) and (c) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411 1, L.411 2, L.412 1 and L.621 8 through L. 621 8 3 of the French Code monétaire et financier.

Japan

The 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 "**Financial Instruments and Exchange Act**"). Accordingly, no Notes have been offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

This Exchange Offer Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer Manager has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the 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 Exchange Offer Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the 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, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Switzerland

The offering if the Notes is not a public offering in Switzerland. The Notes offered hereby may not be publicly offered, sold, or advertised, directly or indirectly, in, into, or from Switzerland. This document is not intended to constitute an offer or solicitation to purchase or invest in the Optics Notes described herein. Neither this Exchange Offer Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations, and neither this Exchange Offer Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes offered hereby will not be listed on the SIX Swiss Exchange Ltd. Or on any other exchange or regulated trading facility in Switzerland, and, therefore, the documents relating to the Notes offered hereby, including, but not limited to, this Exchange Offer Memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd. And corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd.

CERTAIN TAX CONSIDERATIONS

The following overview contains a description of certain Italian, EU, Luxembourg and U.S. tax consequences in respect of the purchase, ownership and disposal of the Notes. This overview is based on the laws in force in Italy, the EU, Luxembourg and the U.S. as at the date of this Exchange Offer 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 Issuer will not update this overview to reflect changes in laws and if such a change occurs the considerations in this summary could become invalid.

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 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.

In view of the number of different jurisdictions where tax laws may apply to a Noteholder, this Exchange Offer Memorandum does not discuss the tax consequences for Noteholders arising from the exchange of Original Notes pursuant to the Exchange Offer and the receipt of New Notes and Optics Notes. Noteholders are urged to consult their own professional advisers regarding the possible tax consequences under the laws of the jurisdictions that apply to them or to the exchange of their Original Notes and the receipt pursuant to the Exchange Offer of New Notes and Optics Notes. Noteholders are liable for their own taxes and have no recourse to the Issuer, the Dealer Managers or the Exchange and Information Agent or any of their respective directors, officers, agents, employees or affiliates with respect to taxes arising in connection with the Exchange Offer.

Certain Italian Tax Considerations

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 under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes.

The statements herein regarding Italian taxation are based on the laws and published practices in force in Italy as of the date of this Exchange Offer Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

According to Law 111/2023, the Italian Tax Reform could significantly change the taxation of financial incomes and capital gains, that may impact on the current tax regime of the Notes, as summarized below.

Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.

Tax treatment of notes issued by Optics

In this sub-section references to "Notes" shall refer to notes issued by Optics.

Decree No. 239 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) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) which are issued, *inter alia*, by Italian resident companies whose shares are not traded on a regulated market or on a multilateral trading facility of any EU Member State or EEA country allowing a satisfactory exchange of information with the Italian tax authorities as included in the White List, provided that the notes are traded

on the aforementioned regulated markets or facilities, or, if not traded in the aforementioned market or multilateral trading facility, when such notes are held by "qualified investors" (*investitori qualificati*) as defined pursuant to Article 100 of the Italian Financial Services Act, as subsequently amended and supplemented as a result of Article 2, paragraph (1)(e) of the Prospectus Regulation, as implemented by Article 35 (1)(d) of the CONSOB Regulation on Intermediaries. For these purposes, pursuant to Article 44 of the Presidential Decree No. 917 of December 22, 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 and (ii) 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 Holder of Notes

Where an Italian resident Noteholder is *inter alia* (i) an individual not engaged in entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership pursuant to Article 5 of the Italian Tax Code (with the exception of general partnership, a limited partnership and similar entities), (iii) a non-commercial private or public institution (except for Italian resident investment funds)or (iv) an investor exempt from Italian corporate income taxation, 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%, unless such Noteholder has opted for the application of the "*risparmio gestito*" regime – see under "*—Tax Treatment of Capital Gains on the Notes—Capital gains realized by Italian Resident Holders of the Notes*" below

If the Noteholders described under *inter alia* (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, *Imposta Sostitutiva* applies as a provisional tax.

Interest is subject to the *Imposta Sostitutiva* and is included in the relevant income tax return. As a consequence, the Interest is subject to the ordinary income tax and the *Imposta Sostitutiva* may be recovered as a deduction from the income tax due. 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% *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 June 30, 1994 and Legislative Decree No. 103 of February 10, 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.

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 authorized 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 September 25, 2001, converted into law with amendments by Law No. 410 of November 23, 2001 ("**Decree No. 351**"), Article 32 of Law Decree No. 78 of May 31, 2010, converted into law with amendments by Law No. 122 of July 30, 2010, and Legislative Decree No. 44 of March 4, 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 January 25, 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% will apply, in certain circumstances, to income realized by unitholders or shareholders in case of distributions, redemption or sale of the units. Moreover, subject to certain conditions and depending on the status and percentage of participation held, income realized by Real Estate Investment Funds is attributed to the relevant investors and subject to tax in their hands irrespective of its actual collection and in proportion to the percentage of ownership of units/shares on a tax transparency basis.

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 authorized 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% will apply, in certain circumstances, to distributions made in favor 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 December 5, 2005) and the Notes are deposited with an authorized 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% 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% 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, the *Imposta Sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so-called "**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stockbrokers and other qualified entities, identified by a decree of the Ministry of Finance, which are resident in Italy ("**Intermediaries**" and each an "**Intermediary**") or by permanent establishments in Italy of banks or intermediaries resident outside Italy or by organizations or companies non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which includes *Euroclear* and *Clearstream, Luxembourg*) having appointed an Italian representative for the purposes of Decree No. 239.

For the purposes of applying *Imposta Sostitutiva*, Intermediaries or permanent establishments in Italy of foreign intermediaries are required to act in connection with the collection of Interest or, in the transfer or disposal of the Notes, including in their capacity as transferees. For the purpose of the application of the *Imposta Sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *Imposta Sostitutiva* is applied and withheld by any Italian financial intermediary paying Interest to a Noteholder or, absent that, directly by the Issuer paying that Interest.

Non-Italian Resident Holders of Notes

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 September 4, 1996, as amended from time to time pursuant to Article 11(4)(c) of Decree No. 239 (i.e. the White 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 establishment.

To ensure payment of Interest in respect of the Notes without the application of 26% *Imposta Sostitutiva*, non-Italian resident investors indicated above must:

(a) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with:

 (i) an Italian or non-Italian resident bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the "**First Level Bank**"), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); or

(ii) an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the "**Second Level Bank**"). Organizations and companies that are not resident of Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance (which include Euroclear and Clearstream, Luxembourg) are treated as Second Level Banks, *provided* that they appoint an Italian representative (an Italian resident bank or SIM, or the permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of the Italian Financial Services Act) for the purposes of the application of Decree No. 239. If a non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank; and

(b) file in due time with the First Level Bank or Second Level Bank (as the case may be) a declaration (*autocertificazione*) stating, *inter alia*, that he or she is a resident, for tax purposes (or established, for institutional investors not subject to tax), in a White List State. Such declaration (*autocertificazione*) which must comply with the requirements set forth by an Italian Decree of the Ministry for the Economy and Finance of December 12, 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. Additional requirements are provided for institutional investors. The declaration (*autocertificazione*) is not required for non-Italian resident investors that are international entities and organizations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

The *Imposta Sostitutiva* will be applicable at the rate of 26% to Interest paid to non-Italian Resident Noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the relevant conditions and procedural requirements provided for the exemption to apply (including the procedures set forth under Decree No. 239 and in the relevant implementing rules).

Noteholders who are subject to the *Imposta Sostitutiva* may, nevertheless, be eligible for full or partial relief under an applicable double tax treaty entered into by Italy and the State of tax residence of the relevant noteholder, if more favorable, subject to timely filing of required documentation provided by Regulation of the Director of Italian Revenue Agency No. 2013/84404 of July 10, 2013.

Tax Treatment of Capital Gains on the Notes issued by Optics

In this sub-section references to "Notes" shall refer to the notes issued by Optics.

Capital gains realized by Italian Resident Holders of the Notes

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 realized 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 pursuant to Article 5 of the Italian Tax Code (with the exception of general partnership, a limited partnership and similar entities) or (iii) a non-commercial private or public institution (except for Italian resident investment funds), any capital gain realized 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 November 21, 1997 ("**Decree No. 461**"), levied at the rate of 26% (the "**CGT**").

In respect of the application of the CGT, 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 resident Noteholders under (i) through (iii) above, the CGT will be chargeable, on a yearly cumulative basis, on all

capital gains, net of any incurred capital loss offsetable, realized 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 realized in any tax year, net of any relevant incurred capital loss offsetable, in the annual tax return and pay the CGT 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 realized in any of the four succeeding tax years.

(b) "*Regime del risparmio amministrato*." As an alternative to the tax return regime, Italian resident Noteholders under (i) through (iii) above may elect to pay the CGT separately on capital gains realized 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 authorized 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 CGT in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized 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 realized, 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 realized by Italian Noteholders under (i) through (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorized 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 realized, at year end, subject to a 26% substitute tax, to be paid by the managing authorized 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 realized in the annual tax return.

Subject to certain conditions (including a minimum holding period requirement) and limitations, capital gains realized upon sale or redemption of the Notes may be exempt from any income taxation (including from the 26% *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 June 30, 1994 and Legislative Decree No. 103 of February 10, 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.

Any capital gains realized by a Noteholder that is a Real Estate Investment Fund will be subject neither to CGT 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% will apply, in certain circumstances, to income realized by unitholders or shareholders in case of distributions, redemption or sale of the units or shares. Subject to certain conditions and depending on the status and percentage of participation held, income realized by a Real Estate Investment Fund is attributed to the relevant investors and subject to tax in their hands, irrespective of its actual collection and in proportion to the percentage of ownership of units on a tax transparency basis.

Any capital gains realized by an Italian Noteholder that is a Fund will not be subject to CGT, 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 realized 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%.

Any capital gains realized by a Noteholder that is an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of December 5, 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% 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% substitute tax if the Notes are included in a long-term individual savings account (*piano di risparmio a lungo termine*) that meets all the requirements from time to time applicable set forth under Italian law.

Capital gains realized by Non-Italian Resident Holders of the Notes

The CGT may in certain circumstances be payable on any capital gains realized upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23, first paragraph, letter f), of ITC, any capital gains realized by non-Italian resident persons, without a permanent establishment in Italy to which the Notes are effectively connected, through the sale for consideration or redemption of the Notes are not subject to taxation in Italy to the extent that the Notes are traded on a regulated market in Italy or abroad (according to the meaning identified by the Italian tax authorities in Circular Letter No. 32/E of December 23, 2020), and in certain cases subject to timely filing of required documentation (i.e. a self-declaration stating that the person is not resident in Italy for tax purposes) with Italian qualified Intermediaries (or permanent establishments in Italy of foreign Intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

If the Notes are not traded on a regulated market in Italy or abroad (according to the meaning identified by the Italian tax authorities in Circular Letter No. 32/E if December 23, 2020) and are held in Italy, pursuant to the provisions of Decree No. 461, non-Italian resident holders of the Notes without a permanent establishment in Italy to which the Notes are effectively connected are exempt from CGT in the Republic of Italy on any capital gains realized upon sale for consideration or redemption of the Notes if they are (i) resident, for tax purposes, in a country which recognizes the Italian fiscal authorities' right to an adequate exchange of information, included in the White List, or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy, or (iii) an institutional investor, whether or not subject to tax, which is organized or established in a country which is included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment, or (iv) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial Intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that they file in time with the authorized financial Intermediary an appropriate self-declaration stating that they meet the requirement indicated above. The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Italian Intermediary (or permanent establishment in Italy of foreign Intermediary), but non-resident holders of the Notes retain the right to waive this regime**.**

If the above-mentioned conditions are not met, capital gains realized by non-Italian Resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, from the disposal or redemption of Notes issued by an Italian-resident Issuer and not traded on a regulated market, may be subject to the CGT at the current rate of 26%. However, Noteholders may be able to benefit from an applicable double tax treaty with Italy providing that capital gains realized upon the sale or redemption of the Notes are taxed only in the country where the recipient is tax resident, subject to satisfying certain conditions.

Tax treatment of notes issued by TIF

In this sub-section references to "Notes" shall refer to notes issued by TIF.

Decree No. 239 also provides for the applicable regime with respect to the tax treatment of interest from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of the ITC, issued by non-Italian resident issuers.

Italian Resident Holder of notes issued by TIF

Pursuant to Decree No. 239, a final *Imposta Sostitutiva* equal to 26% is applied on interest relating to the notes issued by TIF qualifying as bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of the ITC issued by a non-Italian resident Issuer accrued during the relevant holding period, if received by (i) an Italian individual not engaged in an entrepreneurial activity to which the notes issued by TIF are connected, (ii) an Italian partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership), or a de facto partnership not carrying out commercial activities or professional association, (iii) an Italian non-commercial private or public institution, or (iv) an Italian investor exempt from IRES. If the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the notes issued by TIF are connected, the *Imposta Sostitutiva* applies on a provisional basis.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of June 30, 1994 and Legislative Decree No. 103 of February 10, 1996 may be exempt from any income taxation, including the *Imposta Sostitutiva*, on interest relating to the notes issued by TIF if the notes issued by TIF are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth by Italian law.

Imposta Sostitutiva is generally applied by an Intermediary.

Where the notes issued by TIF and the relevant coupons are not deposited with an intermediary, the *Imposta Sostitutiva* is applied and withheld by any Italian intermediary (or permanent establishment in Italy of foreign intermediary) that intervenes in the payment of interest to any Noteholder.

Where an Italian resident Noteholder who is beneficial owner of the notes issued by TIF is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the notes issued by TIF are effectively connected and the notes issued by TIF and the relevant coupons are timely deposited with an Intermediary, interest from the notes issued by TIF 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 IRES (and, in certain circumstances, depending on the "status" of the Noteholder, also to IRAP).

Where an Italian resident Noteholder has opted for the *risparmio gestito* regime with respect to its investment in notes issued by TIF, such Noteholder will be subject to a 26 per cent. annual substitutive tax on the increase in value of the managed assets accrued at the end of each tax year.

For those categories of Noteholders not specifically mentioned in this paragraph and for Noteholders who are pension funds, Funds and Real Estate Funds holding notes issued by TIF, please refer to paragraph "*Tax treatment of Notes issued by TIM and Optics— Italian Resident Holder of Notes*" above.

Non-Italian Resident Holder of notes issued by TIF

No Italian *Imposta Sostitutiva* is applied on payments to a non-Italian resident Noteholder of Interest relating to Notes issued by a non-Italian resident issuer.

If payments of interest relating to the notes issued by a non-Italian resident issuer are beneficially owned by non-Italian residents and the notes are deposited with an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or are sold through an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or in any case an Italian resident intermediary (or permanent establishment in Italy of foreign intermediary) intervenes in the payment of interest on such notes, to ensure payment of interest without application of Italian taxation the non-Italian resident Noteholder may be required to produce to the Italian bank or the relevant intermediary a self-declaration stating that he, she or it is not resident in Italy for tax purposes.

Tax Treatment of Capital Gains on the Notes issued by TIF

In this sub-section references to "Notes" shall refer to notes issued by TIF.

Capital gains realized by Italian Resident Holders of the notes issued by TIF

Please see the "*Tax Treatment of Capital Gains on the Notes issued by TIM and Optics–Italian Resident Holder of Notes*" above.

Capital gains realized by Non-Italian Resident Holders of the notes issued by TIF

Capital gains realized by non-Italian resident Noteholders from the sale or redemption of the notes issued by TIF are not subject to Italian taxation, *provided* that such notes are held outside Italy.

Capital gains realized by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the notes are connected, from the sale or redemption of notes traded on regulated markets in Italy or abroad are neither subject to the *Imposta Sostitutiva* nor to any other Italian income tax (subject to timely filling of required documentation (in particular, a self-declaration stating that the Noteholder is not resident in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the notes are deposited), even if the notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty. Italian tax authorities have clarified that the notion of multilateral trading facility (MTF) under EU Directive 2014/65/EU (so called MiFID II) can 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, cannot be assimilated to "regulated market" for Italian income tax purposes.

Capital gains realized 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 and held in Italy are not subject to *Imposta Sostitutiva provided* that the Noteholder (i) qualifies as the beneficial owner of the capital gain and 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 ratified 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 incorporated in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of incorporation, in any case, to the extent all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *Imposta Sostitutiva* are met or complied with in due time, if applicable. In this case, if the non-Italian Noteholders have opted for the *risparmio amministrato* regime or the *risparmio gestito* regime, exemption from Italian capital gains tax will apply upon condition that they file in due course with the authorized financial intermediary an appropriate self-declaration (*autocertificazione*) stating that they meet the requirements indicated above.

If none of the conditions described above is met, capital gains realized by non-Italian resident Noteholders from the sale or redemption of the Notes not traded on regulated markets and held in Italy are subject to *Imposta Sostitutiva* at the current rate of 26%.

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 realized upon the sale or redemption of the notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *Imposta Sostitutiva* in Italy on any capital gains realized upon the sale or redemption of the notes provided all the conditions for its application are met. In this case, if the non-Italian resident Noteholders have opted for the *risparmio amministrato* regime or the *risparmio gestito* regime, exemption from Italian capital gains tax will apply upon the condition that they file in due course with the authorized financial intermediary appropriate documents which include, inter alia, a statement issued by the competent tax authorities of the country of residence of the non-Italian Noteholders.

Payments made by an Italian Resident Guarantor

In this sub-section references to "Notes" shall refer to notes issued by TIF and Optics.

There is no authority directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth in this Exchange Offer Memorandum or that the Italian courts would not support such an alternative treatment.

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any such payments may be subject to Italian withholding tax at the rate of 26% levied as a final tax or a provisional tax ("*a titolo d'imposta o a titolo di acconto*") depending on the "status" of the Noteholder, pursuant to Presidential Decree September 29, 1973, No. 600, as subsequently amended. In the case of payments to non-Italian resident Noteholders, the withholding tax should be final. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian residents, subject to compliance with relevant subjective and procedural requirements.

In accordance with another interpretation, any such payment made by the Italian resident guarantor should be treated, in certain circumstances, as a payment by the relevant Issuer and should thus be subject to the tax regime described in the previous paragraphs of this section.

Inheritance and gift taxes

In this sub-section references to "Notes" shall refer to notes issued by TIF and Optics.

The transfers of any valuable asset (including the Notes) as a result of death or donation (or other transfers for no consideration) of Italian residents and of non-Italian residents, but in such latter case limited to assets held within the Italian territory (which, for presumption of law, includes bonds issued by Italian resident issuers), are subject to Italian inheritance and gift tax as follows:

(i) transfers in favor of the spouse and of direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding €1,000,000 (per beneficiary);

(ii) transfers in favor of the brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6% on the value of the inheritance or the gift exceeding €100,000 (per beneficiary);

(iii) transfers in favor 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% 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% on the entire value of the inheritance or the gift.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognized pursuant to Law No. 104 of February 5, 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.

With respect to Notes listed on regulated markets and multilateral trading facilities, the value for inheritance and gift tax purposes is the average trading price of the last quarter preceding the date of the succession or the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

The transfer of financial instruments as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term individual saving account (*piano di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law.

Registration tax

In this sub-section references to "Notes" shall refer to notes issued by TIF and Optics.

Contracts relating to the transfer of securities, such as Notes, are subject to Italian registration tax as follows: (i) public deeds and deeds executed in Italy with notarized signatures are subject to a fixed registration tax of €200; (ii) private deeds are subject to a fixed registration tax of €200, which applies only in case of use, reference (*enunciazione*) in a subsequent registered deed or voluntary registration.

Stamp Duty

In this sub-section references to "Notes" shall refer to notes issued by TIF and Optics.

Pursuant to Article 13(2-ter) of the Tariff, Annex A, Part I, attached to Presidential Decree No. 642 of October 26, 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% 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 May 24, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy of July 29, 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. In case of reporting periods less than 12 months, the stamp duty is payable on a pro-rata basis.

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.

Wealth Tax on Financial Products Held Abroad (the so-called IVAFE)

In this sub-section references to "Notes" shall refer to notes issued by TIF and Optics.

In accordance with Article 19 of Decree No. 201 of December 6, 2011, converted with Law No. 214 of December 22, 2011, as subsequently amended, Italian resident individuals, non-commercial entities and certain partnership (*società semplici* or similar partnership in accordance with Article 5 of the ITC) holding financial products (including the Notes) outside of the Italian territory are required to declare in their own annual tax return and pay a wealth tax ("*Imposta sul valore delle attività finanziarie detenute all'estero*" – "**IVAFE**"). The applicable tax rate is 0.2% of the value of such assets (the tax is determined in proportion to the period of ownership). Article 1, paragraph 91, letter b) of Law No. 2013 of December 30, 2023 introduces the new Article 19, par. 20-bis of Decree No. 201 of December 6, 2011 which provides that for financial products held in states or territories with a privileged tax regime, identified by the Decree of the Minister of Economy and Finance of May 4, 1999, as amended from time to time (i.e. the White List), from 2024 the tax rate is equal to 0.4%. The wealth tax cannot exceed €14,000 per year 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 October 26, 1972 does apply.

Italian Financial Transactions Tax

In this sub-section references to "Notes" shall refer to notes issued by TIF and Optics.

Pursuant to Law No. 228 of December 24, 2012, Italian Financial Transaction Tax ("**FTT**") applies to (a) transfer of ownership of shares and other participating securities issued by Italian resident companies or of financial instruments representing the said shares and/or participating securities (irrespective of whether issued by Italian resident issuers or not) (the "**Relevant Securities**"), (b) transactions on financial derivatives (i) the main underlying assets of which are the Relevant Securities, or (ii) whose value depends mainly on one or more Relevant Securities, as well as to (c) any transaction on certain securities (i) which allow to mainly purchase or sell one or more Relevant Securities or (ii) implying a cash payment determined with main reference to one or more Relevant Securities.

Securities could be included in the scope of application of the FTT if they meet the requirements set out above. On the other hand, securities falling within the category of bonds (*obbligazioni*), such as the Notes, are not included in the scope of the FTT.

Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the possible application of financial transaction tax in countries other than Italy.

Italian Tax Reporting Obligations

In this sub-section references to "Notes" shall refer to notes issued by TIF and Optics.

Pursuant to Legislative Decree No. 167 of June 28, 1990, converted with amendments into Law No. 227 of August 4, 1990, as amended from time to time, Italian-resident individuals which are non-business entities and non-business partnerships (*società semplici* or similar partnerships in accordance with Article 5 of the ITC) resident in Italy for tax purposes are required, under certain conditions, to report for tax monitoring purposes in their yearly income tax return the amount of investments (including the Notes), directly or indirectly held abroad (or beneficially owned abroad under Italian anti-money laundering provisions) (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 €15,000 threshold throughout the year, which per se do not require such disclosure). This also applies in the case that at the end of the tax year, securities are no longer held by the above Italian-resident individuals and entities.

However, the above reporting obligation is not required in case where (i) the financial assets (including Notes) are deposited for management with Italian banks, SIMs, fiduciary companies or other qualified Italian financial Intermediaries and with respect to contracts entered into through their intervention, *provided* that the same Intermediaries apply a withholding tax or *Imposta Sostitutiva* on any income derived from the securities or (ii) one of such Intermediaries intervenes, also as a counterpart, in their transfer, *provided* that income deriving from such financial assets has been subject to the applicable withholding tax or substitute tax by the same Intermediaries.

Additional Notes

In this sub-section references to "Notes" shall refer to notes issued by TIF and Optics.

The Issuer and Optics, as applicable, may issue further notes (as defined in the relevant conditions). Any further notes will be considered fungible for Italian income tax purposes with the initial notes issued under the relevant trust deed only if the conditions set forth in Article 11(2) of Decree No. 239 are met, which requires in particular that (i) the issuance of further notes occurs within twelve months of the original issue of the initial notes, and (ii) the spread between (a) the issue price of the initial notes and (b) the issue price of the further notes is not higher than 1% of the principal amount of the issuance multiplied by the number of full years until the maturity date. If these requirements are not met, the further notes will not be considered fungible for Italian income tax purposes with the initial notes issued under the relevant trust deed.

OECD Common Reporting Standards

In this sub-section references to "Notes" shall refer to notes issued by TIF and Optics.

The EU Savings Directive adopted on June 3, 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments has been repealed from January 1, 2016 to prevent overlap between the Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended, initially, by Council Directive 2014/107/EU and, lastly, by Council Directive 2018/822/EU).

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("**CRS**") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges began in January 2017.

Italy has enacted Italian Law No. 95/2015 ("**Law 95/2015**"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated December 28, 2015, which has entered into force on January 1, 2016, implemented Law 95/2015 and provides for the exchange of information in relation to the calendar year 2016 and later.

In the event that holders of the Notes hold the Notes through an Italian financial institution (as meant in the Italian Ministerial Decree of December 28, 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

Certain Luxembourg Tax Considerations.

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. 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 tax, duty, levy, impost or other charge or withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivites*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as net wealth tax and the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

In this section references to "Notes" shall refer to notes issued by TIF.

Tax residency

A holder of Notes will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding and/or disposing of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

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 December 23, 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, with respect to Notes listed and admitted to trading on a regulated market, to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. 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. 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%.

Luxembourg resident individual holders of Notes acting in the course of their private wealth can opt to self-declare and pay a self-assessed 20% tax levy on receipt of interest payments made by non-Luxembourg paying agents located in an EU Member State other than Luxembourg, or a State of the EEA. If such an option is exercised by an individual holder for a fiscal year, that option is irrevocable for that individual holder for that fiscal year, and makes that individual responsible for applying and paying the 20% tax levy in respect of interest they receive on Notes. For these purposes, the "paying agent" under the Relibi Law is the economic operator which pays interest or allocates the payment of the interest to the immediate benefit of the beneficial owner – i.e. the last person in the payment chain before the Luxembourg resident individual.

Income tax

Resident investors

Any investor who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a permanent representative in Luxembourg to which or whom the Notes are attributable, is subject to Luxembourg income tax in respect of the interest paid or accrued on the Notes. Specific exemptions may be available for certain taxpayers benefiting from a particular tax status.

Resident individual investors

A Luxembourg resident individual acting in the course of the management of their private wealth, is subject to Luxembourg income tax at the ordinary rates in respect of interest received, redemption premiums or issue discounts under the Notes, except if (i) a final withholding tax has been levied by the Luxembourg paying agent on such payments in accordance with the Relibi Law, or (ii) in case of a non-resident paying agent established in a Member State of the European Union or in a Member State of the EEA, if such Luxembourg resident individual investor has opted for the levy of the 20 per cent. tax in full discharge of income tax in accordance with the Relibi Law. The option for the 20 per cent. final tax must cover all interest payments made by such paying agents to the beneficial owner during the full fiscal year.

Under Luxembourg domestic tax law, gains realised upon the sale, disposal or redemption of Notes by a Luxembourg resident individual who acts in the course of the management of their private wealth, are not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the acquisition of the Notes. A

Luxembourg resident individual, who acts in the course of the management of their private wealth, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in their taxable income, except if tax has been levied in accordance with the Relibi Law.

Interest derived from as well as gains realised upon a sale or disposal, in any form whatsoever, of the Notes by a Luxembourg resident individual holder acting in the course of the management of a professional or business undertaking to which the Notes are attributable are subject to Luxembourg income taxes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Resident corporate investors

Interest derived from as well as gains realised by a Luxembourg resident corporate entity, which is a resident of Luxembourg for tax purposes, on the sale or disposal, in any form whatsoever, of Notes are subject to Luxembourg income taxes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Resident investors benefiting from a special tax regime

Luxembourg residents who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment governed by the amended law of December 17, 2010, (ii) specialised investment funds governed by the amended law of February 13, 2007, (iii) family wealth management companies governed by the amended law of May 11, 2007, or (iv) reserved alternative investment funds treated as specialised investment funds for Luxembourg tax purposes and governed by the law of July 23, 2016 are exempt from income taxes in Luxembourg and thus income derived from the Notes, as well as gains realised thereon, are not subject to Luxembourg income taxes.

Non-resident investors

Non-resident investors, who have neither a permanent establishment nor a permanent representative in Luxembourg to which or whom the Notes are attributable, are not subject to Luxembourg income tax on interest received or accrued on the Notes. A gain realised by such non-resident investor, on the sale or disposal, in any form whatsoever, of Notes is further not subject to Luxembourg income tax.

Non-resident corporate investors or non-resident individual investors acting in the course of the management of a professional or business undertaking, and who have a permanent establishment or a permanent representative in Luxembourg to which or whom the Notes are attributable, are subject to Luxembourg income tax on interest accrued or received on the Notes and on any gains realised upon the sale or disposal, in any form whatsoever, on the Notes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Net wealth tax

Luxembourg resident investors or non-resident investors who have a permanent establishment or a permanent representative in Luxembourg to which or whom the Notes are attributable, are subject to Luxembourg net wealth tax on such Notes, except if the investor is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment governed by the amended law of December 17, 2010, (iii) a securitization company governed by the amended law of March 22, 2004 on securitization, (iv) a company governed by the amended law of June 15, 2004 on venture capital vehicles, (v) a specialized investment fund governed by the amended law of February 13, 2007, (vi) a family wealth management company governed by the amended law of May 11, 2007, (vii) a professional pension institution governed by the amended law of July 13, 2005, or (viii) a reserved alternative investment fund governed by the law of July 23, 2016. However, (i) a securitization company governed by the amended law of March 22, 2004 on securitization, (ii) a company governed by the amended law of June 15, 2004 on venture capital vehicles, (iii) a professional pension institution governed by the amended law of July 13, 2005, and (iv) an opaque reserved alternative investment fund treated as venture capital vehicle for Luxembourg tax purposes and governed by the law of July 23, 2016, remain subject to a minimum net wealth tax.

Other taxes

The issuance, sale and disposal of the Notes will not be subject to a Luxembourg registration or stamp duty other than a fixed €12 or *ad valorem* registration duty in case of a voluntary registration or in case it is appended to a document that requires mandatory registration.

Under present Luxembourg tax law, where an individual holder of Notes is a resident for inheritance tax purposes of Luxembourg at the time of their death, the Notes are included in their taxable estate for inheritance tax purposes. On the contrary, no estate or inheritance taxes are levied on the transfer of Notes upon death of an individual holder of Notes in cases where the deceased was not a resident of Luxembourg at the time of their death. Gift tax may be due on a gift or donation of the Notes, if the gift is recorded in a Luxembourg deed or otherwise registered in Luxembourg.

CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTES GUARANTEES AND THE OPTICS NOTES COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain considerations in relation to bankruptcy, insolvency and certain other applicable regulations in the EU, Italy and Luxembourg. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

It should be noted that bankruptcy, insolvency or similar proceedings, schemes and/or events could be conducted or could occur in any of these jurisdictions, as well as in other jurisdictions. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes. In particular, under the EU regulations and regulations of Member States, the insolvency (bankruptcy) proceedings may be initiated not only in the country where the entity is registered (incorporated) but also in other Member States where the bankrupt entity conducts its business activity. Irrespective of the attempts to harmonize the bankruptcy regulations in Member States, the regulations in various states differ and the insolvency (bankruptcy) proceedings conducted in more than one state may create additional legal risks and costs for you.

In the event that the Issuer, TIM or Optics experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions bankruptcy, insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

European Union

The Issuer is incorporated and organized under Luxembourg law. TIM and Optics are incorporated and organized under the laws of Italy.

Regime Applicable to Insolvency Proceedings Opened after June 26, 2017

On June 5, 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015, on insolvency proceedings (recast), as amended (the "**Recast EU Insolvency Regulation**") was published on the Official Gazette of the European Union.

The Recast EU Insolvency Regulation applies within the EU, other than Denmark, to insolvency proceedings opened on or after June 26, 2017 (subject to certain exceptions) and with respect to a company whose COMI (as defined herein) is located in a Member State.

Main insolvency proceedings

Pursuant to Article 3(1) of the Recast EU Insolvency Regulation, the court with jurisdiction to open insolvency proceedings in relation to a debtor that has its "center of main interests" ("**COMI**") (as that term is used in Article 3(1) of the Recast EU Insolvency Regulation) in a Member State is the court of the Member State (other than Denmark) within which the center of the debtor's main interests is situated. However, pursuant to Article 4 of the Recast EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3. Such court's decision may be challenged by the debtor or any creditor on grounds of international jurisdiction. The COMI is defined as "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties."

COMI is not a static concept and may change from time to time, but is determined for the purposes of deciding which court has competent jurisdiction to open main insolvency proceedings at the time of the request to open insolvency proceedings: moreover, the determination of where a debtor has its COMI is a question of fact on which the courts of the different Member States may have differed and even conflicting views. Article 3(1), paragraph 2, provides, in most cases, for a rebuttable presumption that a company's COMI is in the jurisdiction where its registered office is located. In order to prevent fraudulent or abusive forum shopping, such presumption only applies if the registered office has not been moved to another Member State within the three-month period prior to the request of the opening of insolvency proceedings. Otherwise, the presumption shall not apply, and the court which shall have jurisdiction to

open insolvency proceedings in relation to a company will be the court of the Member State (other than Denmark) within which the company had its registered office before moving it.

Specifically, Recital 30 of the Recast EU Insolvency Regulation contains a number of examples of where a presumption as to the COMI may be rebutted: for instance, where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. In that respect, the factors that courts may take into consideration when determining the COMI of a debtor can include where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established and where they recognize as being the center of the company's operations.

If the COMI of a company is, at the time of the request to open insolvency proceedings located in the same Member State as its registered office, the main insolvency proceedings with respect to the company under the Recast EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast EU Insolvency Regulation. As noted in Preamble 10, Annex A to the Recast EU Insolvency Regulation has been extended to include insolvency proceedings that promote the rescue of economically viable but financially distressed businesses (such as, with respect to insolvency proceedings in Italy, restructuring agreements with creditors (*accordi di ristrutturazione*), in addition to judicial winding up (*liquidazione giudiziale*), pre-bankruptcy composition with creditors (*concordato preventivo*), compulsory administrative winding up (*liquidazione coatta amministrativa*) and extraordinary administration for large insolvent companies (*amministrazione straordinaria*)).

Furthermore, pursuant to Article 6 of the Recast EU Insolvency Regulation, the courts of the Member State in which insolvency proceedings have been opened in accordance with Article 3 have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

Secondary insolvency proceedings

Insolvency proceedings opened in one Member State under the Recast EU Insolvency Regulation must be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in other Member States. If the COMI of a debtor is in one Member State (other than Denmark), under Article 3(2) of the Recast EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary" or "territorial" insolvency proceedings only in the event that such debtor has an "establishment" in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Recast EU Insolvency Regulation. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings. "**Establishment**" is defined in Article 2(10) of the Recast EU Insolvency Regulation as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. Accordingly, the opening of secondary insolvency proceedings or territorial insolvency proceedings in another Member State (other than Denmark) will also be possible if the debtor had an establishment in such Member State in the three-month period prior to the request for opening of main insolvency proceedings.

The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State (other than Denmark) in which the debtor has its COMI have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State (other than Denmark) where the debtor has an establishment where either (i) insolvency proceedings cannot be commenced in the Member State in which the debtor's COMI is situated under the conditions laid down by that Member State's law; or (ii) the opening of territorial insolvency proceedings is requested by (a) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested, or (b) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary or territorial

insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, (i.e. the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor).

The courts of all Member States (other than Denmark) must recognize the judgment opening insolvency proceedings of the court commencing proceedings (subject to any public policy exception). The judgment of the court commencing main proceedings will produce the same effects in the other Member States (other than Denmark) as under the law of the Member State (other than Denmark) commencing main proceedings, so long as no secondary insolvency proceedings or territorial insolvency proceedings have been commenced in that other Member State and subject to certain other exceptions (*e.g.*, rights in rem situated in another Member State remain subject to the original law governing that right). The insolvency practitioner appointed or confirmed by a court in the Member State, which has jurisdiction to commence main proceedings, may exercise the powers conferred on it by the laws of that Member State in another Member State (other than Denmark) (such as to remove assets of the debtor from that other Member State). These powers are subject to certain limitations (*e.g.*, the powers are available *provided* that no insolvency proceedings have been commenced in that other Member State nor any preservation measure to the contrary has been taken there further to a request to commence secondary proceedings in that other Member State where the debtor has assets).

However, under Article 36 of the Recast EU Insolvency Regulation, the insolvency receiver in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened. For this purpose, the insolvency receiver must undertake to comply with the distribution and priority rights under the relevant national law and from which the local creditors would benefit if the insolvency proceeding was opened in the Member State where the assets are located. Such undertaking must be made in writing and is subject to approval by a majority of local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvent estate and if a court is requested to open secondary insolvency proceedings, it should refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Insolvency proceedings involving members of a group of companies

The Recast EU Insolvency Regulation provides for a cooperation and communication mechanism with the concept of "group coordination proceedings" in the event that insolvency proceedings concerning two or more members of a group of companies are opened in Member States (other than Denmark). Under Article 61 of the Recast EU Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency receiver appointed in insolvency proceedings opened in relation to a member of the group. Insolvency receivers appointed in proceedings concerning a member of the group will cooperate with any insolvency receiver appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group, to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest.

Further, an insolvency receiver appointed in insolvency proceedings concerning a member of a group of companies will cooperate and communicate with any court with jurisdiction over the insolvency proceedings of another group member. The Recast EU Insolvency Regulation also contains provisions for the proposal and implementation of a group coordination plan and group coordination proceedings, which are designed and implemented by a group coordinator. Participation in the group coordination plan is not compulsory for group members, and there are safeguards to preserve the sovereignty of the applicable law and courts of each group members' insolvency proceedings.

Applicability

In the event that the Issuer or any of its subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer.

Certain Italian Insolvency Law Considerations

The Guarantor of the EUR TIF New Notes is an Italian company and the issuer of the Optics Notes is an Italian company. Therefore, the following Section addresses certain Italian insolvency considerations which are relevant both for the EUR TIF New Notes and EUR Optics (TIF) Notes. As such, references to the "Notes" should be read as references to the "EUR TIF New Notes" and "EUR Optics (TIF) Notes" unless specified otherwise.

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where public companies are involved.

Insolvency laws and regulations have been replaced by a new crisis and insolvency code. In particular, the Italian government approved on January 12, 2019 the Legislative Decree No. 14 implementing the guidelines contained in Law No. 155 dated October 19, 2017 contending the scheme of a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters (the "**Legislative Decree**"), which enacts a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters which came into force on July 15, 2022 (so called "*Code of Business Crisis and Insolvency*," as subsequently amended and supplemented and including Italian Legislative Decree No. 83 of June 17, 2022 implementing the EU Directive 2019/1023, hereinafter the "**Italian Insolvency Code**"). The Legislative Decree was published in the *Gazzetta Ufficiale* on February 14, 2019 no. 38—Suppl. Ordinario No. 6. The main innovations introduced by the Italian Insolvency Code include, *inter alia*: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and the replacement of bankruptcy proceedings (*fallimento*) with a judicial liquidation (*liquidazione giudiziale*); (ii) a new definition of "state of crisis" (*crisi*); (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different restructuring tools and frameworks (*strumenti di regolazione della crisi e dell'insolvenza della società*) provided for by the same Italian Insolvency Code; (iv) a new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going concern proceedings; (vi) a new crisis settlement procedure (*composizione negoziata della crisi*); (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) the adoption of the definition of debtor's "center of main interest" as provided in the new set of rules concerning group restructurings; (ix) the introduction of the new restructuring plan subject to homologation (*piano di ristrutturazione soggetto ad omologazione*) among the restructuring tools and frameworks (*strumenti di regolazione della crisi e dell'insolvenza della società*); (x) the regulation of adequate measures and plans to early detect a crisis with specific criteria to be adopted by companies and (xi) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the reform.

The Italian Insolvency Code has been amended and supplemented by, among others, (i) the Italian Legislative Decree No. 147 of October 26, 2020, (ii) the Italian Draft Legislative Decree on "*Amendments to the Business Crisis and Insolvency Code, implementing Directive (EU) 2019/1023*" approved on March 17, 2022 by the Italian Council of Ministers (*Consiglio dei Ministri*) and (iii) the Italian Legislative Decree No. 83 of June 17, 2022. Except for minor changes in some provisions of the Italian Civil Code, which already entered into force on March 16, 2019, in response to the COVID-19 pandemic, the entry into force of the Italian Insolvency Code has been initially postponed to September 1, 2021 by the "*Decreto liquidità*" (i.e. Law Decree April 8, 2020, no. 23, published in the Gazzetta Ufficiale on April 8, 2020 and converted in law by the Italian Parliament by the Law June 5, 2020, No. 40, published in the Gazzetta Ufficiale on June 6, 2020 the "**Liquidity Decree**"), and is now effective starting from July 15, 2022. Provisions under the Italian Bankruptcy Law continue to apply only to any filings for proposals of declaration of insolvency procedures and bankruptcy restructuring plans (*concordato fallimentare*) and any filings seeking for the approval of debt restructuring agreements (*accordo di ristrutturazione dei debiti*) or for the opening of a composition with creditors proceeding (*concordato preventivo*) filed or pending before July 15, 2022 (i.e. the effective date of the Italian Insolvency Code).

Considering the above, the following is a brief description of certain main aspects of insolvency law in Italy as it stands now and in particular: (i) of the Italian Bankruptcy Law and the other ancillary applicable regulations in place until July 15, 2022 and (ii) of the Italian Insolvency Code after its entry into force.

Italian Bankruptcy Law - applicable to proceedings filed or opened before July 15, 2022 only

The two primary aims of the Italian Bankruptcy Law are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claims. On the other hand, other particular insolvency procedures, such as "*Prodi bis*" extraordinary administration procedure and "*Marzano*" extraordinary administration procedure, which will be addressed as well in the following paragraphs, also target the preservation of significant employment levels. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Article 5 of the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent, rather than a temporary status of insolvency, in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

In addition to the *composizione negoziata della crisi* and to the *concordato semplificato per la liquidazione del patrimonio*, the following debt restructuring and bankruptcy alternatives are available under Italian law for companies in a state of crisis and for insolvent companies.

Composizione negoziata per la soluzione della crisi d'impresa (introduced by Law Decree 118/2021)

The *composizione negoziata della crisi* is an out-of-court proceeding, but the court can be involved in the two following circumstances: (i) when the entrepreneur files a petition pursuant to Article 7 of the Law Decree 118/2021 requesting the competent court pursuant to Article 9 of the Italian Insolvency Law, to confirm or modify the protective measures (the "**Protective Measures**"), and, if necessary, to enact the interim measures provided for pursuant to Article 6 of the Law Decree 118/2021 on the same day as the publication of the request in the relevant Companies' Register (*Registro delle Imprese*) and the acceptance of the Expert (as defined below); and if necessary to complete the negotiations (the "**Interim Measures**" and, together with the Protective Measures, the "**Measures**"), and (ii) when the entrepreneur files a petition pursuant to Article 10 of the Law Decree 118/2021 asking the court to authorize certain acts, or to modify the conditions of certain contracts if, as a consequence of the COVID-19 pandemic, such contracts pose an excessive burden on the entrepreneur.

The *composizione negoziata della crisi* can be pursued by enterprises, either commercial (*imprenditore commerciale*) and agricultural (*imprenditore agricolo*), which are in a distressed situation with reference to their assets, their business and/or their finance, such that it is likely that a crisis or insolvency will follow and it is likely that the financial recovery shall occur, notwithstanding the general thresholds for the application of Italian Bankruptcy Law are not met. Pursuant to Article 5 of the Law Decree 118/2021, *inter alia*, the entrepreneur or the enterprise filing for a *composizione negoziata della crisi* (i) shall certify that no requests for the admission to a *concordato preventivo* procedure nor *accordi di ristrutturazione dei debiti* have been previously filed to the court in such respect and (ii) in the event that the application for a *composizione negoziata della crisi* is dismissed, may not submit a new request before one year has elapsed after the aforementioned dismissal.

Pursuant to Article 13 of the Law Decree 118/2021, the *composizione negoziata della crisi* may also apply to group of companies, in order to provide for the possibility of the negotiated proceeding to take place in a unitary form. It should be noted that Paragraph 10 of such provision provides for the group companies – at the end of the negotiations – to either enter into one of the agreements referred to in Article 11 of the Law Decree 118/2021 (as set out below) as a whole group or enter separately as single companies into the solutions referred to therein.

The *composizione negoziata della crisi* is commenced by the enterprises, on a voluntary basis only, with the filing of a petition for the appointment of a third party and an independent expert (the "**Expert**") which however, pursuant to Article 23 of the Law Decree 118/2021, is prevented for enterprises having filed to access the procedures, debt restructuring agreements and/or *concordato preventivo*, including (i) pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law, (ii) pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law and (iii) the procedures of over-indebtedness restructuring agreement or liquidation of assets referred to in Articles 7 and 14-*ter* of Law No. 3 of January 27, 2012 (i.e. *procedimenti di composizione della crisi da sovraindebitamento e di liquidazione del patrimonio*) pending such procedures. Pursuant to Article 4 of the Law Decree 118/2021 the person who acted as Expert in the context of such proceeding, shall not have or maintain professional relations with the entrepreneur during the two years following the termination of the negotiated proceeding.

If the Expert finds that there are concrete chances of recovery (*risanamento*), he/she meets with the parties involved in the entrepreneur's recovery process and presents the possible strategies, scheduling periodic meetings close in time to one another. During the negotiations, all the parties involved must act in good faith and with fairness, must cooperate and are bound by confidentiality on the entrepreneur's financial and business situation, on the actions carried out or planned by the entrepreneur and on the information received in the course of the negotiations.

If the Expert finds that there are not concrete chances of recovery (*risanamento*), after the meeting with the entrepreneur or thereafter, he/she has to promptly notify the entrepreneur and the secretary general of the chamber of commerce, which provides for the dismissal of the entrepreneur's petition.

The Expert's appointment is considered terminated if, after 180 days from its appointment, the parties have not agreed on a solution (that can also be proposed by the Expert) for overcoming the entrepreneur's distressed situation. However, the Expert's appointment can continue for up to an additional 180 days (pursuant to Article 5, Paragraph 7 of the Law Decree 118/2021) if (i) all the parties involved in the negotiations require so and the Expert agrees, or (ii) the prosecution of the appointment is required by the fact that the entrepreneur has filed a petition to the court pursuant to Article 7 and/or Article 10 of the Law Decree 118/2021.

Pursuant to Article 5, Paragraph 8 of the Law Decree 118/2021, at the end of his/her appointment the Expert issues a final report (the "**Final Report**"), uploads it on the Platform, and notifies it to the entrepreneur and to the court that has granted the Protective Measures and Interim Measures (if any), which declares the termination of their related effects.

Pursuant to Article 6 of the Law Decree 118/2021, together with the petition for appointment of the Expert, or with a subsequent petition, the entrepreneur can request the application of Protective Measures. The Protective Measures consist of the following: from the date of publication of the relevant petition, preexisting creditors cannot obtain preemption rights (*diritti di prelazione*) unless agreed upon by the entrepreneur and all enforcement and interim actions are stayed. However, as opposed to what happens in the *concordato preventivo*, payment of preexisting creditors is not forbidden. The Protective Measures do not apply to employees' claims.

From the date of publication of the petition requesting the application of the Protective Measures until the date of conclusion of the negotiations or dismissal of the petition for appointment of the Expert, the entrepreneur cannot be declared bankrupt nor insolvent by the court.

The creditors whose rights are affected by the Protective Measures cannot unilaterally refuse to perform their obligations under the contracts in place with the entrepreneur, nor terminate such contracts, nor anticipate their expiration date, nor amend them with detrimental consequences for the entrepreneur, solely on the ground of the missed payment of claims arisen prior to the publication of the petition requesting the application of the Protective Measures.

If the entrepreneur applies for the Protective Measures (which, as said, are immediately effective), he must simultaneously file the same request to the competent court, in order to allow a judge to check the said measures and to confirm them or, if necessary, to modify them. In the absence of this request, the Protective Measures will be ineffective.

The duration of the Protective Measures and, if necessary, the Interim Measures, is established by an order of the court in a range between 30 and 120 days, and, upon request of the parties and after obtaining the opinion of the Expert, can be extended for the time required to positively finalize the negotiations up to a maximum of 240 days. The judge, in his or her discretion, may order the revocation of such Protective Measures or shorten their duration.

Upon request of the entrepreneur or of one or more creditors, or upon report of the Expert, the Protective Measures and the Interim Measures can be revoked, or their duration can be reduced, if they do not satisfy the purpose of a positive finalization of the negotiations or appear to be disproportionate compared to the prejudice caused to the creditors that file the relevant request.

Pursuant to Article 9 of the Law Decree 118/2021, pending the negotiations, the entrepreneur may carry out acts pertaining to ordinary activity, and, upon written notice to the Expert, carry out acts pertaining to extraordinary activity or make payments non-consistent with the negotiations nor with the perspectives of recovery, in such a way as to avoid prejudicing the economic and financial sustainability of the business. Furthermore, if during the course of the negotiations, it appears that the entrepreneur is insolvent but there are real prospects of recovery, the entrepreneur shall manage the enterprise in the best interests of the creditors, subject to his liabilities.

If the Expert believes that a certain act causes prejudice to the creditors, to the negotiations or to the perspectives of recovery, he/she reports it in writing to the entrepreneur and to the enterprise's control body. If, notwithstanding the Expert's report, the entrepreneur carries out the relevant act, the entrepreneur gives immediate notice to the Expert, who may file his/her dissent for the registration with the companies' register. When Protective Measures and/or Interim Measures have been granted, the Expert also reports to the court which may revoke such measures or reduce their duration pursuant to Article 7, Paragraph 6 of the Law Decree 118/2021.

Pursuant to Article 10 of the Law Decree 118/2021, the court, upon the entrepreneur's request and to the extent that this is consistent with the continuation of the business as a going concern and with the maximization of the creditors' recovery, may authorize:

(A) the entrepreneur or one or more companies belonging to the same group to incur new super-senior indebtedness (*prededucibile*) pursuant to Article 111 of the Italian Bankruptcy Law;

(B) the entrepreneur to incur new super-senior indebtedness (so-called *prededucibile*) via shareholders' financing pursuant to Article 111 of the Italian Bankruptcy Law;

(C) the entrepreneur to transfer its business, or certain business branches, without the effects provided under Article 2560, Paragraph 2, of the Italian Civil Code. However, in such case it will be for the court itself to identify the measures it considers appropriate, taking into account the requests of the parties concerned, in order to protect the interests of all relevant parties involved.

Pursuant to Article 11 of the Law Decree 118/2021, the *composizione negoziata della crisi* can terminate as follow:

(i) execution of an agreement between the entrepreneur and one or more creditors, which constitutes cause for application of the reward measures provided under Article 14 of the Law Decree 118/2021 if, according to the Expert's Final Report, such agreement ensures the continuation of the business as a going concern for at least two years;

(ii) execution of a standstill agreement (*convenzione di moratoria*) pursuant to Article 182 *octies* of the Italian Bankruptcy Law;

(iii) execution of an agreement signed by the entrepreneur, by the creditors and by the Expert, with the effects provided under Article 67, Paragraph 3, letter d) of the Italian Bankruptcy Law. In such case, the independent expert's report (*attestazione*) provided under Article 67, Paragraph 3, letter d) of the Italian Bankruptcy Law, shall not be required.

At the end of the negotiations, the entrepreneur can also file a petition requesting the sanctioning of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*) pursuant to Article 182-*bis*, Article 182 *septies* or Article 182 *novies* of the Italian Bankruptcy Law.

Alternatively, the entrepreneur may:

(i) arrange an out-of-court reorganization plan (*piano attestato di risanamento*) pursuant to Article 67, Paragraph 3, letter d) of the Italian Bankruptcy Law;

(ii) file a petition for admission to the *concordato semplificato per la liquidazione del patrimonio* pursuant to Article 18 of the Law Decree 118/2021 which pursuant to Article 11 of the Law Decree 118/2021 can be filed only following the end of the negotiations;

(iii) enter into one of the insolvency proceedings provided under the Italian Bankruptcy Law or in the so-called Prodi *bis* procedure or Marzano procedure.

Pursuant to Article 12 of the Law Decree 118/2021:

(i) the acts authorized by the court pursuant to Article 10 of the Law Decree 118/2021 maintain their effects in the event of subsequent sanctioned debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti omologato*), sanctioned court-supervised pre-bankruptcy composition with creditors (*concordato preventivo omologato*), bankruptcy (*fallimento*), compulsory administrative winding-up (*liquidazione coatta amministrativa*), extraordinary administration for large insolvent companies (*amministrazione straordinaria*) or *concordato semplificato per la liquidazione del patrimonio*;

(ii) the payments of debts that are immediately due and payable, any onerous transactions and the granting of security interests made after the Expert accepted its appointment, are exempted from claw-back actions pursuant to Article 67, Paragraph 2, of the Italian Bankruptcy Law if they are consistent with the development and the status of the negotiations and with the perspectives of recovery (*risanamento*) in place at the time the payment/transaction/granting of security interest was made;

(iii) acts pertaining to the entrepreneur's extraordinary activity and payment made after the Expert accepted its appointment are subject to claw-back actions pursuant to Article 66 and Article 67 of the Italian Bankruptcy Law if the Expert has registered his/her dissent in the companies' register or if the court has denied its authorization pursuant to Article 10 of the Law Decree 118/2021;

(iv) payments and transactions made after the Expert accepted its appointment, which the Expert assesses to be consistent with the development of the negotiations and with the perspectives of recovery (*risanamento*) of the enterprise, or which have been authorized by the court pursuant to Article 10 of the Law Decree 118/2021, benefit of exemptions from the potential application of certain criminal sanctions provided for pursuant to Article 216 and 217 of the Italian Bankruptcy Law.

Potential outcomes: concordato semplificato per la liquidazione del patrimonio (introduced by Law Decree 118/2021)

Article 18 of the Law Decree 118/2021 introduces a simplified court-supervised pre-bankruptcy composition with creditors with liquidation purpose (*concordato semplificato per la liquidazione del patrimonio*).

If, in its Final Report, the Expert states that the negotiations did not have a positive outcome but have been conducted according to fairness and in good faith, and that the options provided under Article 11, Paragraphs 1 and 2, of the Law Decree 118/2021 are not feasible, within 60 days following the notification of the Final Report the entrepreneur may file, with the competent court of the place where the company has its registered office, a petition for admission to the *concordato semplificato per la liquidazione del patrimonio*, together with a liquidation plan and the documents listed under Article 161, Paragraph 2, letters a), b), c) and d) of the Italian Bankruptcy Law, which may divide the creditors into various classes. The petition for *concordato semplificato per la liquidazione del patrimonio* is then published in

the companies' register within the day following the filing with the court. From the date of such publication, the effects provided under Articles 111, 167, 168 and 169 of the Italian Bankruptcy Law apply.

The court issues a decree approval (*omologazione*) the *concordato semplificato per la liquidazione del patrimonio* when it finds that (i) the proceeding has been carried out in accordance with relevant laws and regulations and the adversarial principle among the parties (*contraddittorio*); (ii) the proposal is compliant with preemption rights (*cause di prelazione*) and the liquidation plan is feasible, and (iii) the proposal does not cause a prejudice to the creditors compared to what they would receive in case of insolvent liquidation of the entrepreneur, and in any case ensures that each creditor receives a certain recovery.

The parties may file an objection (*opposizione*) to the above-mentioned decree within 30 days after having been notified of the same.

Out-of-Court Reorganization Plans (piani di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on reorganization plans (*piani di risanamento*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di ristrutturazione dei debiti)

Debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*) entered into with creditors representing at least 60% of the outstanding company's debts can be ratified by the court and are subject to court's approval *(omologazione)*. An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the restructuring agreement is feasible and, particularly, that it ensures that the debts of the non-participating creditors can be fully satisfied within a 120 day term starting from (i) the date of sanctioning (*omologazione*) of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the debt restructuring agreement by the court and (ii) the date on which the relevant debts fall due, in case of debt which are not yet due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court. Pursuant to article 182-*bis* of the Italian Bankruptcy Law, only a debtor who is in a state of crisis can initiate this process and request the court's sanctioning (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The restructuring agreement (and the underlying business and financial plan) can therefore provide, *inter alia*, either for the continuation of the business by the debtor or by a third party, or the sale of the

business to a third party, and may provide for refinancing agreements, moratoria, write offs and/or postponements of claims. The debt restructuring agreement may also contain, *inter alia*, a proposed tax settlement for the partial or deferred payment of certain taxes.

The restructuring agreement is published in the Companies' Register and becomes effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor and cannot obtain any security interest (unless agreed) in relation to preexisting debts.

Pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law, the stay of actions can be requested by the debtor to the court also before the execution and publication of the restructuring agreement, while negotiations with creditors are still pending, subject to the fulfillment of certain conditions. Such request for stay of actions must be published in the Companies' Register and becomes effective as of the date of publication in the Companies' Register. The court, having verified the completeness of the documentation, sets the date for a hearing within 30 days of the publication and orders the debtor to supply to the creditors the relevant documentation in relation to the stay of actions request. In such hearing, creditors and other interested parties may file an opposition to the agreement and the court assesses whether the conditions for granting the stay of actions have been met and, if the court so determines, orders that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which the restructuring agreement has to be filed. The court's order may be challenged within 15 days of its publication. Within the same deadline of 60 days, an application for the court supervised pre-bankruptcy composition with creditors (*concordato preventivo*) (as described below) may be filed, without prejudice to the effect of the stay of actions.

Creditors and other interested parties may file a challenge against the restructuring agreement within 30 days from the publication of the agreement in the Companies' Register. The court will, after having settled the challenges (if any), validate the agreement by issuing a decree, which may be appealed within 15 days of its publication.

The Decree 83/2015 (the "**Decree**"), as amended by Law 132/2015 ("**Law 132**") modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

The new Article 182-bis, Paragraph 8 of the Italian Bankruptcy Law, as amended by Italian Law No. 69 of May 21, 2021, and subsequently replaced by the Law Decree 118/2021, sets the rule for when substantial amendments are made to the plan, *inter alia*, if any substantial change to the plan are is necessary or required before or after the homologation of a debt restructuring agreement with creditors, the entrepreneur shall make the appropriate changes aimed at the implementation of such plan, requesting (i) the independent expert to renew its report as well as (ii) the creditors involved in such debt restructuring agreement to manifest their consent the necessary amendments.

The Law Decree 118/2021 significantly amended Article 182-septies of the Italian Bankruptcy Law and introduced in the Italian Bankruptcy Law the new Article 182-octies, Article 182-novies and Article 182-decies, thus anticipating some of the provisions of the Italian Insolvency Code. Pursuant to the new Article 182-novies of the Italian Bankruptcy Law, introduced by the Law Decree 118/2021, the percentage of 60% provided under Article 182-bis, Paragraph 1, of the Italian Bankruptcy Law is reduced to the 30% if the debtor (a) waives the 120-day term for the satisfaction of its creditors provided for under Article 182-bis, Paragraph 1, letters (a) and (b) of the Italian Bankruptcy Law (therefore implying that the plan must be adequate and capable for the full and timely payment of dissenting creditors); (b) does not previously file a petition for admission to the *concordato in bianco* pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law, and (c) does not request the 60-days moratorium pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law.

Pursuant to the new Article 182-*septies* of the Italian Bankruptcy Law, debtors are entitled to enter into debt restructuring agreements by obtaining the approval of creditors representing at least 75% of the credits belonging to the same category (so-called "**cram down**"), subject to certain conditions being met, including that non-participating creditors shall be satisfied to a no lesser extent than the liquidation alternative. The law also provides that (i) the agreement shall be of a non-liquidating nature, (ii) the agreement shall contemplate the direct or indirect continuation of the business activity as a going concern, and (iii) all the creditors belonging to the relevant category (and, therefore, affected by the proceeding) have been duly notified of the beginning of the negotiations, have been kept informed and

have been notified the debt restructuring agreement and the sanctioning decree (*decreto di omologa*) and the related documentation. If these conditions are met, the remaining 25% of non-participating creditors belonging to the same class of creditors are crammed down; however, non-participating crammed down creditors can challenge the deal and refuse to be forced into its.

Pursuant to Article 11 of The Law Decree 118/2021 the percentage of 75% is lowered to 60% if the reach of the debt restructuring agreement results from the Final Report issued by the Expert at the end of the negotiations pertaining to the *composizione negoziata della crisi*.

Pursuant to the new Article 182-*septies*, paragraph 5 of the Italian Bankruptcy Law, a special provision is set forth for debtors whose financial indebtedness is at least 50% of their total indebtedness: in this situation the debt restructuring agreement may identify one or more categories of creditors which are banks and financial intermediaries which have a homogeneous legal position and economic interests and extend the effects of the agreement to non-participating creditors who are part of the same category. In such instance, the agreement is valid even if it does not contemplate the direct or indirect continuation of the business activity as a going concern. However, in such case, the rights of creditors who are not banks or financial intermediaries remain valid.

Similarly, pursuant to the new Article 182-*octies* of the Italian Bankruptcy Law, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of the same class would also bind the non-participating creditors, *provided* that (A) an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies (i) the truthfulness of the business data, (ii) the attitude of the standstill agreement to temporarily regulate the effects of the crisis and (iii) the fact that the non-adhering creditors suffer a prejudice that is proportionate and consistent with the recovery strategies undertaken by the debtor, and (B) certain further conditions are met (*e.g.*, all the creditors belonging to the relevant category have been duly noticed of the beginning of the negotiations have been made able to participate in the negotiations and have received complete and up-to-date information on the debtor's assets, economic and financial situation and on the agreement and its related effects). Non-adhering crammed-down creditors can challenge the standstill agreement within 30 days after having been notified of the same.

The debt restructuring agreement provided under article 182-*septies* of the Italian Bankruptcy Law and the standstill agreement provided under Article 182-*octies* of the Italian Bankruptcy Law shall not impose new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize the existing facilities or the utilization of new facilities on non-participating creditors.

Pursuant to the new Article 182-*decies* of the Italian Bankruptcy Law, introduced by the Law Decree 118/2021, Article 1239 of the Italian Civil Code applies to the creditors that have adhered to the debt restructuring agreements. Non-participating creditors maintain their claims towards *(i)* those who are jointly and severally liable with the debtor, *(ii)* the debtor's guarantors and *(iii)* debtors by way of right of recourse (*regresso*). Unless agreed otherwise, debt restructuring agreements produce effect towards the shareholders who are jointly liable with non-limited liability companies, *provided* that, if such shareholders have granted guarantees, they will remain liable as guarantors.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financings granted to the debtor pursuant to the approved debt restructuring agreement (or a homologated Court Supervised Pre-Bankruptcy Composition with Creditors (*concordato preventivo*)) enjoy super-seniority status under Article 111 of the Italian Bankruptcy Law in case of subsequent bankruptcy (such status also applies to financings granted by shareholders, but only up to 80% of such financing). Financings granted "in view of" (i.e. before) presentation of a petition for the sanctioning (*omologazione*) of a debt restructuring agreement under Article 182-*bis* of the Italian Bankruptcy Law or a court supervised Pre-Bankruptcy Composition with Creditors may be granted such super-seniority status under Article 111 of the Italian Bankruptcy Law *provided* that they are envisaged by the relevant plan or agreement and that such priority status is expressly recognized by the court in the context of the sanctioning (*omologazione*) of the debt restructuring agreement or the approval of the *concordato preventivo*. Same provisions apply to financings granted by shareholders up to 80% of their amount.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the

Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with in rem security (*garanzie reali*), or by assigning claims by way of security, *provided* that the expert appointed by the debtor (which shall be in possession of certain requirements), having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financing aims at providing a better satisfaction of the rights of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, to the extent already payable and due, *provided* that the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. According to article 182-*quinquies* of the Italian Bankruptcy Law, as amended by the provisions of the Decree (as amended and converted into law by Law 132), the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraphs 6 of the Italian Bankruptcy Law.

The provision of Article 182-*quinques* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to the Article 182-*quinquies*, paragraph 3 of the Italian Bankruptcy Law (as amended by the Decree, as in turn amended and converted into by Law 132), pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law, also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so-called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company. Such authorization request can also be filed in relation to the maintaining of short-term facilities (*linee di credito autoliquidanti*) already in place as of the filing date.

Court-Supervised Pre-Bankruptcy Composition with Creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis (i.e. financial distress which does not yet amount to insolvency) and that has not been declared insolvent by the court has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding € 0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding € 0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness (including debts not yet due) in excess of € 0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, among others, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the Company's Register.

From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt arose before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the Company's Register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for, *inter alia* (i) the restructuring and payment of debts and the satisfaction of creditors' claims, *provided* that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-*bis* of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities, (ii) the

transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal, (iii) the division of creditors into classes and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so-called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Italian Law Decree No. 69/2013 as converted into Italian Law No. 98/2013 ("**Law Decree 69/2013**")). The debtor company may file such petition along with (i) its financial statements from the latest three years and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-*bis* of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (*e.g.*, concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo* and (ii) set forth reporting and information duties of the company during the abovementioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by creditors referred to in respect of *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so called *concordato in bianco*).

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the Company's Register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and *provided* that the relevant requirements are verified, in the declaration of bankruptcy of the distressed company. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of the aforementioned documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company after the filing of *concordato preventivo* petition, as well as, *inter alia*, new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law or after the filing of a *concordato preventivo* petition (also under Article 161 para. 6 of the Italian Bankruptcy Law) and aimed at supporting urgent financial needs related to the company's business are treated as super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Italian Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The *concordato preventivo* proposal may provide, *inter alia*, that (i) the debtor's company's business continues to be run by the debtor's company as a going concern or (ii) the business is transferred to one or more companies and any

assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the plan and petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert must also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the disposal of those assets that are not functional to the continuation of the business. The *concordato preventivo* plan and proposal may also provide for, *inter alia*, a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls the creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business). The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transaction may be carried out without authorization. Third-party claim, related to the interim acts legally carried out by the debtor, are super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law.

Pursuant to Article 169-*bis* of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (*e.g.*, employment agreements (*rapporti di lavoro subordinato*)), preliminary sale agreements (*contratti preliminari di vendita*) and real estate lease agreements *(contratti di locazione di immobili*). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be treated as a receivable preceding the composition with creditors (*concordato preventivo*).

The *concordato preventivo* is voted on at the creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, (b) in the event that the plan provides for more classes of creditors, of the majority of the classes. The composition with creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Creditors who did not exercise their voting rights in the creditors' meeting can do so (even via e-mail) within 20 days starting from the closure of the minutes of the creditors' meeting and, after such term, creditors who did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. In relation to voting by the holder of the Notes in the *concordato* proceedings, the interaction between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of Notes issued by Italian companies is untested in the Italian courts. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that, based on an independent expert determination on the value of the secured assets, they will not be fully satisfied (in which case they can vote only in respect of the part of the debt affected by the proposal).

The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if (i) the majority of classes has approved it and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree, as amended by Law 132, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to file an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor does not

ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132 sets forth that a pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (i.e. a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-*bis* of the Italian Bankruptcy Law, introduced by the Decree, as amended by Law 132, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the court must open a competitive bidding proceeding.

After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order. If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Bankruptcy (fallimento)

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, one or more of its creditors or by the Public Prosecutor. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding € 0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding € 0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness (including debts not yet due) in excess of € 0.5 million. Upon the commencement of bankruptcy proceedings, amongst other things, subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular:

- under certain circumstances secured creditors may enforce their claims against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;

- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);

- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors;

- any act (including payments, pledges and issuances of guarantees) made by the debtor (other than those made through the receiver) after (and in certain cases even before for a limited period of time) the declaration of bankruptcy, becomes (or could become, if made before) ineffective against creditors; and

- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over. In order to overcome the uncertainty that may predictably arise, the contractual counterparty may file a written petition requiring the Courts and ask to have a deadline of no more than 60 days scheduled; within such deadline, the receiver must decide to enter into the agreement or withdraw from it. Upon expiration of the deadline without the receiver having replied to the counterparty's request, the agreement is deemed terminated. Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. In this respect, Law 132 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of the debtor's assets is shortened. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and secured creditors, out of available funds and assets (if any) as below indicated.

- *Bankruptcy composition with creditors (concordato fallimentare).* Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed, by one or more creditors or third parties, from the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that based on an independent expert determination on the value of the secured assets, they will not be fully satisfied (in which case they can vote only in respect of the part of the debt affected by the proposal). The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.

- *Statutory priorities.* The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset. The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "super senior" claims; (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims.

Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors including, *inter alia*, a claim whose priority is legally acquired (i.e. repayment of rescue or interim financing, mentioned above), the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are those of "privileged" creditors (*creditori privilegiati*; a priority in payment in most circumstances, but not exclusively, provided for by law), mortgagees (*creditori ipotecari*), pledgees (*creditori prignoratizi*) and unsecured creditors (*crediti chirografari*).

- Avoidance powers in insolvency. Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, depending on the circumstances, the Italian Bankruptcy Law provides for a claw-back period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures—see below—in relation to certain transactions, the claw-back period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

(a) Acts ineffective by operation of law.

  (i) Under Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective vis-à-vis creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and

  (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective vis-à-vis creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

(b) Acts that may be avoided at the bankruptcy receiver's request.

  (i) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) vis-à-vis the bankruptcy as provided for by article 67 of the above referenced Italian Bankruptcy Law and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

    - onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;

    - payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;

    - pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which were not yet due at the time the new security was granted; and

- pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time the new security was granted.

(ii) The following acts and transactions, if made during the suspect period or such other period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent at the time of the act or transaction:

- the payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and

- the granting of security interest for debts incurred in the six months prior to the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

- a payment for goods or services made in the ordinary course of business according to market practice;

- a remittance on a bank account; *provided* that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;

- a sale, including an agreement for sale registered pursuant to Article 2645-*bis* of Italian Royal Decree No. 262 of March 16, 1942 (the "**Italian Civil Code**"), currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; *provided* that, as of the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

- transactions entered into, payments made and guarantee and security granted by, the debtor pursuant to a plan under Article 67 paragraph 3 (d) of the Italian Bankruptcy Law (see "*—Out-of-Court Reorganization Plans (piani di risanamento)*" above);

- a transaction entered into, payment made or security interest or guarantee granted in the context of a homologated *concordato preventivo* (see "*—Court-Supervised Pre-Bankruptcy Composition with Creditors (concordato preventivo)*" above) or a homologated debt restructuring agreement under Article 182-*bis* of the Italian Bankruptcy Law (see "*—Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di ristrutturazione dei debiti)*" above), as well as any transactions, payment, security interests and/or guarantees carried out after the filing of a petition for *concordato preventivo* (see above);

- remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

- payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared without effect vis-à-vis the acting creditors within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*). Under Article 66 of Italian Bankruptcy Law and Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, *provided* that the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such

detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, such third party participated in the fraudulent scheme). Burden of proof is entirely with the receiver.

Law 132 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" claw-back action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (*e.g.*, gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale*, i.e. "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third party purchaser.

Finally, as noted above, the Recast Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

Italian Insolvency Code

Please find below a brief description of the main provisions of the Italian Insolvency Code after its entry force on July 15, 2022 which supersedes the Italian Bankruptcy Law.

The two primary aims of the Italian Insolvency Code are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claims. The aim of the "*Prodi-bis*" procedure or "*Marzano*" procedure (which remain available to large companies also in the context of the new set of rules, as will be further detailed below), is to maintain employment. These competing aims often have been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold.

Under the Italian Insolvency Code, the judicial liquidation (*liquidazione giudiziale*) must be declared by a court, based on the insolvency (*insolvenza*) of a debtor upon a petition filed by the debtor itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Article 2, letter (b) of the Italian Insolvency Code, is defined as the state of the debtor, manifested by defaults and/or other external elements evidencing that the debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent, and not a temporary status of insolvency, in order for a court to hold that a debtor is insolvent. The Italian Insolvency Code also introduced a specific concept of crisis, which is defined under Article 2, letter (a) of the Italian Insolvency Code as the state of the debtor such that it is likely that insolvency will follow, which is manifested by the inadequacy of prospective cash flows to meet obligations in the following twelve months. Both insolvency and crisis are factual situations upon the occurrence of which different instruments provided for by the Italian Insolvency Code may be activated.

In cases where a debtor is facing financial difficulties or temporary cash shortfall and, in general, a state of crisis/financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the debtor, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

The following debt restructuring and insolvency alternatives are available under Italian law for companies in a state of crisis and for insolvent debtors and, in certain cases, also to debtors experiencing an economic or financial imbalance such as to make it likely that a state of crisis and/or distress or their insolvency will occur.

Restructuring outside of a judicial process (accordi stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal out-of-court arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger liabilities in the event of a subsequent bankruptcy. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

***Composizione negoziata per la soluzione della crisi d'impresa* pursuant to the Italian Insolvency Code**

The *composizione negoziata per la soluzione della crisi d'impresa*, as also described above, was originally introduced in the Italian legal framework by Law Decree 118/2021 and has been subsequently incorporated into the Italian Insolvency Code. It is an out-of-court proceeding, but the court can be involved in the two following circumstances: (i) when the entrepreneur files a petition pursuant to Article 18 of the Italian Insolvency Code requesting the competent court to confirm or modify the Protective Measures provided for pursuant to Article 18 of the Italian Insolvency Code on the same day as the publication of the request in the relevant Companies' Register (*Registro delle Imprese*) and the acceptance of the Expert (as defined below), and, if necessary, to enact the Interim Measures necessary to complete the negotiations, and (ii) when the entrepreneur files a petition asking the court to authorize certain acts in line with the provisions set forth under Article 22 of the Italian Insolvency Code.

The *composizione negoziata per la soluzione della crisi d'impresa* is a proceeding aimed at facilitating the recovery of companies which "despite being in conditions of asset or economic and financial imbalance such as to make it likely that financial distress or insolvency will occur, have the potential to remain in the market, including through the sale of the business or a branch of it."

According to Article 12 of the Italian Insolvency Code, the *composizione negoziata per la soluzione della crisi d'impresa* can be pursued by enterprises, either commercial (*imprenditore commerciale*) and agricultural (*imprenditore agricolo*), which are undergoing a distressed situation with reference to their assets, their business and/or their financial situation, such that it is likely that a distress/crisis or insolvency will follow. It is, therefore, a procedure aiming at anticipating further deterioration of the debtor's situation. Pursuant to Article 17, paragraph 3, letter d) of the Italian Insolvency Code, inter alia, the entrepreneur or the enterprise filing for a *composizione negoziata per la soluzione della crisi d'impresa* (i) shall certify that no judicial winding-up proceedings or similar proceedings are pending towards itself nor requests for the admission to the procedures provided for under Articles 40 of the Italian Insolvency Code, including pursuant to Articles 44, paragraph 1, letter a) and 54, paragraph 3, have been previously filed and (ii) in the event that the application for a *composizione negoziata per la soluzione della crisi d'impresa* is dismissed, other than the case where such dismissal is requested by the entrepreneur, may not submit a new request before one year has elapsed after dismissal.

Pursuant to Article 25 of the Italian Insolvency Code, the *composizione negoziata per la soluzione della crisi d'impresa* may also apply to group of companies, which may commence one proceeding all together. It should be noted that paragraph 9 of such provision provides for the group companies—at the end of the negotiations—to either enter into one of the agreements referred to in Article 23, paragraph 1 of the Italian Insolvency Code as a group, or use one of the tools referred to under Article 23 of the Italian Insolvency Code, both separately or as a whole group. The *composizione negoziata per la soluzione della crisi d'impresa* is commenced on a voluntary basis only, filing of a petition for the appointment of a third party and independent expert to the Secretary General of the relevant Chamber of Commerce by way of a dedicated electronic platform (the "**Expert**"). Pending a procedure for over-indebtedness restructuring agreement or liquidation of assets referred to in Articles 7 and 14-*ter* of Law No 3 of January 27, 2012 (i.e. *procedimenti di composizione della crisi da sovraindebitamento e di liquidazione del patrimonio*), the petition cannot be filed. Pursuant to Article 16 of the Italian Insolvency Code the person who acted as Expert in the context of such proceeding, shall not have or maintain professional relations with the entrepreneur during the two years following the termination of the negotiated proceeding.

The Expert is appointed within five days upon the filing of the request. The Expert is responsible for facilitating and managing the negotiations between the company, its creditors and any other interested parties, in order to identify a solution to overcome the crisis or the insolvency, including through the transfer of the business or a branch thereof.

The Expert assesses his/her own independence, the adequacy of his/her own professional expertise and his/ her own time availability with respect to the prospected assignment, and, if the outcome of the assessment is positive, notifies his/her acceptance to the entrepreneur and uploads it on the Platform. In case of negative outcome, the Expert confidentially notifies it to the commission, which appoints a new Expert. If the Expert accepts the appointment, he/she meets with the entrepreneur in order to assess whether there are concrete and real chances of recovery. The entrepreneur attends the meeting personally, and can be assisted by its advisors.

If the Expert finds that there are concrete and real chances of recovery (*risanamento*), he/she meets with the parties involved in the entrepreneur's recovery process and presents the possible strategies, scheduling periodic meetings close in time to one another. During the negotiations, all the parties involved must act in good faith and with fairness, must cooperate and are bound by confidentiality on the entrepreneur's situation, on the actions carried out or planned by the entrepreneur and on the information received in the course of the negotiations. The entrepreneur must provide a complete and clear representation of his/her situation and manage his/her assets without causing unfair prejudice to the creditors. Banks and financial intermediaries, their agents, and, in case of credit assignment and/or transfer, their assignees or transferees, must take part in the negotiations actively and in an informed manner, and the access to the *composizione negoziata per la soluzione della crisi d'impresa* does not, by itself, constitute ground for withdrawal of overdraft facilities. Specific provisions apply to negotiations involving employment contracts.

If the Expert finds that there are no real chances of recovery (*risanamento*), after the meeting with the entrepreneur or thereafter, he/she has to promptly notify the entrepreneur and the secretary general of the chamber of commerce, which provides for the dismissal of the entrepreneur's petition. The Expert's appointment is considered terminated if, after 180 days from its appointment, the parties have not agreed on a solution (that can also be proposed by the Expert) for overcoming the entrepreneur's distressed situation. However, the Expert's appointment can continue up to further 180 days (pursuant to Article 17, paragraph 7 of the Italian Insolvency Code) if (i) all the parties involved in the negotiations require so and the Expert agrees, or (ii) the prosecution of the appointment is required by the fact that the entrepreneur has filed a petition to the court pursuant to Article 19 and/ or Article 22 of the Italian Insolvency Code.

Pursuant to Article 17, paragraph 8 of the Italian Insolvency Code, at the end of his/her appointment the Expert issues a final report (the "**Final Report**"), uploads it on the Platform, and notifies it to the entrepreneur and to the court that has granted the Protective Measures and Interim Measures (if any) which declares the termination of their related effects.

Pursuant to Article 18 of the Italian Insolvency Code, together with the petition for appointment of the Expert, or with a subsequent petition, the entrepreneur can request the application of Protective Measures, which may also be limited, upon entrepreneur request, to certain creditors' claims or to a specific category of creditors. The Protective Measures consist of the following: from the date of publication of the relevant petition, preexisting creditors cannot obtain preemption rights (*diritti di prelazione*) unless agreed upon by the entrepreneur and all enforcement and interim actions are stayed. However, as opposed to what happens in the *concordato preventivo*, payment of preexisting creditors is not forbidden. The Protective Measures do not apply to employees' claims.

From the date of publication of the petition requesting the application of the Protective Measures until the date of conclusion of the negotiations or dismissal of the petition for the *composizione negoziata*, the ruling of opening the judicial winding-up proceeding (*sentenza di apertura della liquidazione giudiziale*) or the declaration of the insolvency of the entrepreneur cannot be declared insolvent by the court, *provided* that the court revokes the Protective Measures.

The creditors whose rights are affected by the Protective Measures cannot unilaterally refuse to perform their obligations under the contracts in place with the entrepreneur, nor terminate such contracts, nor anticipate their expiration date, nor amend them with detrimental consequences for the entrepreneur, solely on the ground of the missed payment of claims arisen prior to the publication of the petition requesting the application of the Protective Measures. However, the creditors may suspend the fulfilment of the pending contracts from the publication of the petition requesting Protective Measures to the obtainment of such Protective Measures.

If the entrepreneur applies for the Protective Measures (which, as said, are immediately effective), it must simultaneously file the same request to the competent court, in order to allow a judge to check the said measures and to confirm them or, if necessary, to modify them. In the absence of this request, the Protective Measures will be ineffective.

The duration of the Protective Measures and, if necessary, the Interim Measures, is established by an order of the court in a range between 30 and 120 days, and, upon request of the parties and after obtaining the opinion of the Expert, can be extended for the time required to positively finalize the negotiations up to a maximum of 240 days, given that the judge may discretionary order the revocation of such Protective Measures or shorten their duration.

During the procedure the entrepreneur remains able to continue the ordinary and extraordinary management of the company, subject to certain conditions. More precisely, pursuant to Article 21 of the Italian Insolvency Code, pending the negotiations, the entrepreneur may carry out acts pertaining to ordinary activity, and, upon written notice to the Expert, carry out acts pertaining to extraordinary activity or make payments non-consistent with the negotiations nor with the perspectives of recovery, in such a way as to avoid prejudicing the economic and financial sustainability of the business. Furthermore, if during the course of the negotiations, it appears that the entrepreneur is insolvent but there are real prospects of recovery, the entrepreneur shall manage the enterprise in the best interests of the creditors, subject to his liabilities.

If the Expert believes that a certain act causes prejudice to the creditors, to the negotiations or to the perspectives of recovery, he/she reports it in writing to the entrepreneur and to the enterprise's control body. If, notwithstanding the Expert's report, the entrepreneur carries out the relevant act, the entrepreneur gives immediate notice to the Expert, who may file his/her dissent for the registration with the companies' register. At the request of the entrepreneur, one or more creditors or the Expert, the Court that has granted the Protective Measures and/or Interim Measures may, at any time, revoke such measures or reduce their duration when they do not meet the aim of ensuring the positive outcome of the negotiations or they appear disproportionate in relation to the prejudice caused to the creditors, pursuant to Article 19, paragraph 6 of the Italian Insolvency Code. If the Protective Measures are revoked, the prohibition of the obtainment of preemption rights by preexisting creditors ceases to be effective for the date on which the Protective Measure has been revoked.

Pursuant to Article 22 of the Italian Insolvency Code, the court, upon the entrepreneur's request and to the extent that this is consistent with the continuation of the business as a going concern and with the maximization of the creditors' recovery, may authorize:

(a) the entrepreneur or one or more companies belonging to the same group to incur new super-senior indebtedness (*prededucibile*) pursuant to Article 6 of the Italian Insolvency Code;

(b) the entrepreneur to incur new super-senior indebtedness (so-called *prededucibile*) via shareholders' financing pursuant to Article 6 of the Italian Insolvency Code; and

(c) the entrepreneur to transfer its business, or certain business branches, without the effects provided under Article 2560, paragraph 2, of the Italian Civil Code, without prejudice to Article 2112 of the Italian Civil Code. However, in such case it will be for the court itself to identify the measures it considers appropriate, taking also into account the requests of the parties concerned, in order to protect all the interests involved. The court shall also verify the compliance with the competitiveness principle in choosing the purchaser.

Pursuant to Article 23 of the Italian Insolvency Code, the *composizione negoziata per la soluzione della crisi d'impresa* can terminate as follow:

(a) execution of an agreement between the entrepreneur and one or more creditors, which constitutes cause for application of the reward measures provided under Article 25-*bis*, paragraph 1 of the Italian Insolvency Code if, according to the Expert's Final Report, such agreement ensures the continuation of the business as a going concern for at least two years;

(b) execution of a standstill agreement (*convenzione di moratoria*) pursuant to Article 62 of the Italian Insolvency Code;

(c) execution of an agreement signed by the entrepreneur, by the creditors and by the Expert, with the effects provided under Articles 166, paragraph 3, lett. d) and 324. With such agreement the Expert acknowledges that the reorganization plan (*piano di risanamento*) seems to be consistent with the composition of the insolvency and crisis of the entrepreneur.

At the end of the negotiations, if none of the above mentioned agreement is executed, the entrepreneur may alternatively:

(a) file a petition requesting the sanctioning of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*) pursuant to Articles 57, 60 and 61 of the Italian Insolvency Code. The percentage referred to under Article 61, paragraph 2, letter c) of the Italian Insolvency Code is reduced to 60% if the achievement of the agreement results from the final report of the Expert.

(b) arrange an out-of-court reorganization plan (*piano attestato di risanamento*) pursuant to Article 56 of the Italian Insolvency Code;

(c) file a petition for admission to the *concordato semplificato per la liquidazione del patrimonio* provided for pursuant to Article 25-*sexies* of the Italian Insolvency Code;

(d) enter into one of the insolvency proceedings provided under the Italian Insolvency Code or in the so-called Prodi-*bis* procedure or the Marzano procedure;

Furthermore, pursuant to Article 24 of the Italian Insolvency Code:

(i) the acts authorized by the court pursuant to Article 22 of the Italian Insolvency Code shall maintain their effects in the event of subsequent sanctioned debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti omologato*), sanctioned court-supervised pre-judicial liquidation composition with creditors (*concordato preventivo omologato*), opening of the judicial winding-up proceeding (*apertura della liquidazione giudiziale*), a sanctioned restructuring plan provided for pursuant to Article 64-bis of the Italian Insolvency Code, a compulsory administrative winding-up (*liquidazione coatta amministrativa*), extraordinary administration for large insolvent companies (*amministrazione straordinaria*) or simplified pre-judicial liquidation composition with creditors agreement aimed at the liquidation of the debtor's assets (*concordato semplificato per la liquidazione del patrimonio*) provided for pursuant to Article 25-*sexies* of the Italian Insolvency Code;

(ii) the payments of debts that are immediately due and payable, any onerous transactions and the granting of security interests made after the Expert accepted its appointment, are exempted from claw-back actions pursuant to Article 166, paragraph 2, of the Italian Insolvency Code if they are consistent with the development and the status of the negotiations and with the perspectives of recovery (*risanamento*) in place at the time the payment/transaction/granting of security interest was made;

(iii) acts pertaining to the entrepreneur's extraordinary activity and payment made after the Expert accepted its appointment are subject to claw-back actions pursuant to Article 165 and Article 166 of the Italian Insolvency Code if the Expert has registered his/her dissent in the companies' register pursuant to Article 21, paragraph 4 of the Italian Insolvency Code or if the competent court has denied its authorization pursuant to Article 22 of the Italian Insolvency Code; and

(iv) payment and transactions made after the Expert accepted its appointment, which the Expert assesses to be consistent with the development of the negotiations and with the perspectives of recovery (*risanamento*) of the enterprise, or which have been authorized by the court pursuant to Article 22 of the Italian Insolvency Code, benefit of exemptions from the potential application of certain criminal sanctions.

Potential outcomes: concordato semplificato per la liquidazione del patrimonio

Article 25-*sexies* of the Italian Insolvency Code introduces a simplified court-supervised pre-judicial liquidation composition with creditors with liquidation purpose (*concordato semplificato per la liquidazione del patrimonio*).

If, in its Final Report, in the context of a *composizione negoziata per la soluzione della crisi d'impresa* proceeding, the Expert states that the negotiations did not have a positive outcome (i.e. the entrepreneur has not been able to reach an agreement with its creditors) but have been conducted according to fairness and good faith and that the options provided under Article 23, paragraphs 1 and 2, letter b), of the Italian Insolvency Code are not feasible, within 60 days

following the notification of the Final Report the entrepreneur may file to the competent court where the entrepreneur has its center of main interests a petition for admission to the *concordato semplificato per la liquidazione del patrimonio*, together with a liquidation plan and the documents listed under Article 39 of the Italian Insolvency Code. The petition for *concordato semplificato per la liquidazione del patrimonio* is then published in the companies' register within the day following the filing with the court. From the date of such publication, the effects provided under Articles 6, 46, 94 and 96 of the Italian Insolvency Code are produced.

Following the filing of such application, the court (i) appoints a so-called "auxiliary" (*ausiliario*) to, *inter alia*, express an opinion on the entrepreneur's proposal; (ii) orders that the proposal, together with the opinion of the auxiliary and the final report of the expert, be delivered by the debtor to the creditors appearing on the list filed by the debtor itself; and (iii) sets the date of the hearing for the court approval (*omologazione*). Creditors and any third party which has any interests are entitled to object to the court approval (*omologazione*) within ten days before the date fixed for the hearing.

If the court, having verified the legitimacy of the objection and the procedure, as well as compliance with priority creditor claims and the feasibility of the liquidation plan, finds that the proposal does not prejudice the creditors with respect to the alternative of a judicial winding-up liquidation and that, in any event, it ensures a benefit to each creditor, it approves the composition with creditors proposal by decree, by which it shall also appoint a liquidator.

The court issues a decree of approval (*omologazione*) the *concordato semplificato per la liquidazione del patrimonio* when it finds that (i) the proceeding has been carried out in accordance with relevant laws and regulations and the adversarial principle among the parties (*contraddittorio*); (ii) the proposal is compliant with preemption rights (*cause di prelazione*) and the liquidation plan is feasible, and (iii) the proposal does not cause a prejudice to the creditors compared to what they would receive in case of insolvent liquidation of the entrepreneur, and in any case ensures that each creditor receives a certain recovery. With the approval decree, the court also appoints a liquidator.

The parties may file an objection (*opposizione*) to the abovementioned decree within 30 days after having been notified of the same.

Pursuant to Article 25-*septies* of the Italian Civil Code, the liquidation plan may also include an offer by a pre-identified third party to transfer the business or one or more branches of the business or specific assets to such third party, even before the approval: in this case, the judicial liquidator, having verified the absence of better solutions on the market, may implement the offer.

Out-of-court reorganization plans (piani attestati di risanamento) pursuant to Article 56 of the Italian Insolvency Code

Out-of-court debt restructuring agreements are based on restructuring plans (*piani attestati di risanamento*) addressed to the creditors and prepared by debtors who are either insolvent or in a state of crisis, in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor and enrolled in the Register of Auditors and Accounting Experts (*Registro dei Revisori Contabili*) must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the independent expert. The independent expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court reorganization plans and the relevant debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Also, Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable, provided they are finalized at restructuring the debtor's indebtedness and rebalancing its capital structure. However, the possibility to adopt such tools to liquidate the debtor is disputed, as it is argued they shall provide for the restructuring of the debtor's indebtedness and the rebalancing its financial condition on a going concern basis. Unlike in-court pre-judicial liquidation agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement

proceedings and/or precautionary actions of third-party creditors. The Italian Insolvency Code provides that, should these plans fail, and the debtor be declared insolvent, the payments and/or acts carried out, and/or security interest granted on the debtor's assets for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to any claw-back action (*azione revocatoria*), including the claw-back action provided for pursuant to Article 2901 of the Italian Civil Code, as provided for pursuant to Article 166, paragraph 3, letter d) of the Italian Insolvency Code; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register of the plan, the report by the independent expert and the arrangements is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-judicial liquidation agreement or a debt restructuring agreement. Since the reorganization plan (or the agreements entered into to implement it) is not subject to any court approval or judicial review, it cannot be excluded that the abovementioned exemption effects will be challenged in the event of subsequent judicial winding-up, if the competent court were to assess that the reorganization plan was not feasible at the time it was certified by the independent expert.

Unlike Italian Bankruptcy Law, the Italian Insolvency Code sets forth specific rules regarding Out-of-court reorganization plans and the relevant restructuring arrangements entered into with creditors, which must be followed for the plans and agreements to grant protection against claw-back actions and potential civil and criminal responsibilities. More in detail, out-of-court debt restructuring plans pursuant to Article 56 of the Italian Insolvency Code must be supported by adequate documentation representing the financial and commercial situation of the debtor and which also needs to indicate, among others, the causes of the crisis and the new resources which will be made available to the debtor and the industrial plan. Moreover, they must be suitable for the purpose of assuring the restructuring of the indebtedness of the debtor and rebalancing its financial position and, in case of its failure and subsequent challenge (*impugnazione*) before an Italian court, it must not be deemed as being unreasonable.

Debt restructuring agreements with creditors (accordi di ristrutturazione dei debiti) pursuant to Article 57 of the Italian Insolvency Code

Debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*) provided for pursuant to Article 57 and ff. of the Italian Insolvency Code may be entered into by the debtor with creditors holding at least 60% of the outstanding indebtedness, to be sanctioned (*omologato*) by the competent court. An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare and that the agreement is feasible and, particularly, that it ensures that the indebtedness *vis-à-vis* non-participating creditors can be fully satisfied within the following terms in a 120-day term from: (i) the date of sanctioning (*omologazione*) of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court; and (ii) the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as at the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court. Pursuant to Article 57 of the Italian Insolvency Code, only a debtor who is insolvent or facing a state of crisis (as described above) can initiate this process and request the court's sanctioning (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and becomes effective as of the day of its publication. Creditors and other interested parties may challenge the agreement within 30 days from the publication of the agreement in the companies' register. After having settled with the opposition (if any), the court will validate (*omologare*) the agreement by issuing a decree, which can be appealed within 30 days of its publication pursuant to Article 51 of the Italian Insolvency Code.

The Italian Insolvency Code does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, *inter alia*, either for the debtor or a third party carrying out the business, or the sale of the business, and may contain refinancing agreements, moratoria, write offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes. Article 58, paragraph 1 of the Italian Insolvency Code sets the rule for when substantial amendments are made to the plan. More precisely, in the event of substantial amendments to the plan before the approval, the report issued by the expert and the consent to the debt restructuring agreement expressed by creditors shall be renewed. The report shall also be renewed in the event of substantial amendment. In the event of

substantial amendments after the approval, the debtor shall make such amendments as are appropriate to ensure the implementation of the agreements, by requesting the update of the certified report issued by the expert having the requirements set forth in Article 57, paragraph 4 of the Italian Insolvency Code. In this case, the renewed certified report, together with the amended restructuring plan, shall be published in the companies' register, giving appropriate notice to the creditors by registered letter or by certified email (PEC). The parties may file an objection (*opposizione*) to the abovementioned decree within 30 days after having been notified of the same.

The key features of a debt restructuring agreement

With the petition for the approval by the court of the debt restructuring agreement (or at any time pending the procedure) the debtor may request to be granted any Measures (*e.g.*, a stay of actions or the creation by creditors of security interest (unless it is agreed in the debt restructuring agreement) in relation to pre-existing debts, etc.). Such Measures can also be requested (i) pursuant to Article 54, paragraph 3 of the Italian Insolvency Code, to the court by the debtor pending negotiations with creditors (i.e. prior to the filing of the petition for approval of the agreement), subject to certain conditions, or (ii) pursuant to Article 44 of the Italian Insolvency Code, together with a pre-petition for the access to one of the restructuring tools provided for by the Italian Insolvency Code. According to Article 54, paragraph 2, of the Italian Insolvency Code, *provided* that the petition for approval of the debt restructuring agreement includes the relevant request for Measures, from the date of publication of the petition in the companies' registry, it is prohibited to commence or continue the enforcement and the conservative actions (or, in any event, to take any initiatives prohibited under the relevant Measures). No dispossession of debtor occurs in respect of a debt restructuring agreement, but the court may appoint a judicial commissioner to oversee the proceedings and must do so in case petitions for the opening of judicial liquidation are pending, when it is necessary for the protection of the parties who filed such petitions. It is a court-supervised procedure, which can take from a few months up to more than a year (the duration of the proceedings is generally influenced by challenges). Creditors entering into the debt restructuring agreement are not required to receive the same treatment (i.e. they are free to reject the proposal and to protect their interests otherwise) and no cram-down is applicable to third-party non-adhering creditors, who shall be fully re-paid within 120 days from validation (*omologa*) of the debt restructuring agreement (if the claims are already due and payable at such date) or within 120 days from the respective maturity date if such creditors' claims are not yet due as of the validation date of such debt restructuring agreement as per respectively Article 57, paragraph 3 letters a) and b).

The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing to be held no earlier of 15 days from the notification of the relevant filing. Pending such deadline, creditors and other interested parties may file an opposition to the approval. At such hearing, the court decides upon any opposition and assesses whether the conditions for the approval are met.

Pursuant to the Article 61 of the Italian Insolvency Code, debtors are entitled to enter into debt restructuring agreement by obtaining the approval of creditors representing at least 75% of the credits belonging to the same category (with respect to the homogeneity of their status and economic interests) and can request the court to declare that agreement binding on the non-adhering creditors belonging to the same category (so called "**cram down**").

More in detail, debt restructuring agreements with extended effects (*accordi di ristrutturazione ad efficacia estesa)* provided pursuant to Article 61 of the Italian Insolvency Code – which were previously only permitted in relation to debts owed to banks and financial intermediaries where such debts represented at least 50% of the total indebtedness – can now be applied to any category of creditors, *provided* that, inter alia: (i) all the creditors belonging to the same category have been informed of the start of the negotiations and have been able to participate in them in good faith and have received complete and up-to-date information on the debtor's assets, economic and financial situation as well as on the restructuring agreement and its effects; (ii) the agreement provides for the continuation of the business activity either directly or indirectly pursuant to Article 84 of the Italian Insolvency Code; (iii) the claims of the consenting creditors belonging to a same category represent at least 75% of all the claims belonging to the same category; (iv) the non-adhering creditors belonging to the same category to which the effects of the agreement are extended can be satisfied under the agreement for an amount not lower than the amount they would receive with the judicial liquidation being understood that a creditor may hold claims in more than one category; and (v) the debtor has notified the agreement, the application for court approval and the documents attached thereto to the creditors to be crammed down. The percentage of 75% is lowered to 60% if the debt restructuring agreement is referred to in the

Final Report issued by the Expert at the end of the negotiations pertaining to the *composizione negoziata per la soluzione della crisi d'impresa*.

Moreover, pursuant to the new Article 61, paragraph 5, of the Italian Insolvency Code, a special provision is set forth for debtors whose financial indebtedness is at least 50% of their total indebtedness: in this situation the debt restructuring agreement may identify one or more categories of creditors which are banks and financial intermediaries which have a homogeneous legal position and economic interests and extend the effects of the agreement to non-participating creditors who are part of the same category. In such instance, the agreement is valid even if it does not contemplate the direct or indirect continuation of the business activity as a going concern. However, in such case the rights of creditors who are not banks or financial intermediaries remain valid.

Similarly, pursuant to the new Article 62 of the Italian Insolvency Code, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and its creditors representing 75% of the same class would also bind the non-participating creditors, *provided* that (A) an independent expert meeting the requirements provided under Article 62, paragraph 3 of the Italian Insolvency Code has been appointed and certifies (i) the truthfulness of the business data, (ii) the attitude of the standstill agreement to temporarily regulate the effects of the crisis and (iii) the fact that the treatment reserved to non-adhering creditors is at least equal to the one they could obtain in the context of a judicial winding up, and (B) certain further conditions are met (*e.g.*, all the creditors belonging to the relevant category have been duly noticed of the beginning of the negotiations, have been made able to participate in the negotiations and have received complete and up-to-date information on the debtor's assets, economic and financial situation and on the agreement and its related effects). Non-adhering crammed-down creditors can challenge the standstill agreement within 30 days after having been notified of the same.

In no case debt restructuring agreements provided for under Article 61 of the Italian Insolvency Code and standstill agreements provided under Article 62 of the Italian Insolvency Code may impose on the non-adhering creditors, inter alia, performance of new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize the existing facilities or the utilization of new facilities.

Furthermore, Article 60 of the Italian Insolvency Code provides for the so called facilitated debt restructuring agreement (*accordi di ristrutturazione agevolati*). Such proceeding, is a particular kind of debt restructuring agreement which may be entered into with creditors representing as little as 30% of the total indebtedness (instead of the 60% generally required under Article 57, paragraph 1, of the Italian Insolvency Code) *provided* that the debtor: (i) has waived the standstill on the payment of non-consenting creditors (usually provided for by law, for a period of 120 days from the court approval of the agreement or from the maturity date of the relevant obligations, in "ordinary" restructuring agreements); and (ii) has not previously requested to the court the granting of protective interim measures on the assets.

By virtue of Article 59 of the Italian Insolvency Code, Article 1239 of the Italian Civil Code applies to the creditors that have adhered to the debt restructuring agreements. Non-participating creditors maintain their claims towards (i) those who are jointly and severally liable with the debtor, (ii) the debtor's guarantors and (iii) debtors by way of right of recourse (*regresso*). Unless agreed otherwise, debt restructuring agreements produce effect towards the shareholders who are jointly liable with non-limited liability companies, *provided* that, if such shareholders have granted guarantees, they will remain liable as guarantors.

The provision of Article 99 of the Italian Insolvency Code applies to both debt restructuring agreement and to the court-supervised compositions with creditors (*concordato preventivo*) outlined below.

Pursuant to Article 100 of the Italian Insolvency Code, in the event of a composition with creditors on a going concern basis:

(i) the debtor may repay, in accordance with the relevant contractual terms, the installments due under a loan agreement which is secured by way of a security interest over the assets used in the business, *provided* that: (a) at the date of the filing of the application for admission to the composition with creditors, the debtor has fulfilled its obligations or the court authorizes the payment of the debt for principal and interest due at that date; and (b) the expert meeting the requirements set forth in Article 52, paragraph 3, of the Italian Insolvency Code certifies (i) that such payments are essential for the continuation of the business activity and functional to

ensuring the best satisfaction of the creditors (as already required by Article 100 of the Italian Insolvency Code) and, (ii) that the secured claims can be fully satisfied with the proceeds of the liquidation of the asset carried out at market value and that the repayment of the installments due does not prejudice the rights of the other creditors;

(ii) the court may authorize payment of the remuneration due, for the months preceding the filing of the application for the composition with creditors, to the workers employed in the business whose continuation is envisaged under the plan.

Furthermore, pursuant to Article 73 of the Italian Insolvency Code, in case of revocation of the approval (*omologa*), the court, upon the debtor's petition, shall order the conversion to a judicial winding-up procedure. If the revocation results from acts of fraud (*atti in frode ai creditori*) or non-performance of the obligations arising under the debt restructuring agreement, the petition for conversion may also be proposed by creditors or by the public prosecutor. In case of conversion, the court shall grant additional time to the debtor aimed at supplementing the documentation and shall act in accordance with Article 270 of the Italian Insolvency Code.

Court supervised composition with creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis (as defined above) and that has not been declared insolvent by the court has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of insolvency proceedings (so called "*concordato preventivo*"). Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess (included debts not yet due) of €0.5 million. Only the debtor can file a petition with the court for a *concordato preventivo* with the court based in the location of the debtor's main office. The debtor must file the petition together with, among others, a restructuring plan containing an analytic description of manner and timing of the fulfillment of the proposal and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company. The petition for *concordato preventivo* is then published by the debtor in the company's register by the registry of the court and communicated to the public prosecutor. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors. According to Article 54, paragraph 2, of the Italian Insolvency Code, *provided* that the petition for the admission to the *concordato* proceedings includes the relevant request for Measures, from the date of publication of the petition in the companies' registry, it is prohibited to commence or continue the enforcement and the conservative actions (or, in any event, to take any initiatives prohibited under the relevant Measures). As already described with reference to debt restructuring agreements, at any time pending the proceedings, the debtor may request to be granted Measures, which can also be requested pursuant to Article 44 of the Italian Insolvency Code, together with a pre-petition for the access to one of the restructuring tools provided for by the Italian Insolvency Code.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (*provided* that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*), including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes (which is mandatory in certain cases provided under the Article 85 of the Italian Insolvency Code), *provided* that each class is composed of creditors having homogeneous legal positions and economic interests; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes. Save for the provisions provided for under Article 109 of the Italian Insolvency Code, Article 86 of the Italian Insolvency Code has *provided* that, in the context of a composition with creditors on a going concern basis (*concordato con continuità*), the plan may provide for a standstill for the secured creditors, which may extend up to six months from the date of sanctioning (*omologa*) of the composition with creditors proposal for the

payment of secured creditors (*creditori privilegiati*) pursuant to Article 2751-*bis* of the Italian Civil Code (i.e. employees, professionals etc.).

Pursuant to Article 84, paragraph 4, the Italian Insolvency Code, in order to strengthen the position of the unsecured creditors, a composition with creditors proposal with liquidation purpose (*concordato liquidatorio*) (i.e. a composition with creditors proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that (i) with the relevant filing for such proceeding, external resources are contributed which increase the assets available at the time of such filing by at least 10% and (ii) the degraded secured creditors as well as unsecured creditors are paid in a percentage equal to 20% of their total claims. In this respect, it should be noted that resources contributed for the purpose of a composition with creditors proposal with liquidation purpose (*concordato liquidatorio*) may be distributed notwithstanding the provisions set forth under Articles 2740 and 2741 of the Italian Civil Code *provided* that such distribution complies with the 20% requirement set forth above. Resources contributed are considered as "external" when provided for any reason by the debtor's shareholders without obligation of repayment or subordination, in relation to which the plan provides them to be for the sole benefit of the creditors. This provision does not apply to composition with creditors proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

Under the composition with creditors, there is no dispossession of the debtor who accordingly retains management powers under the supervision of a court-appointed official (*commissario giudiziale*) and the deputy judge. From the date of the publication of the petition to the date on which the court sanctions the *concordato preventivo*, the debtor is entitled to operate in the ordinary course of its business, although extraordinary transactions require the prior written approval of the court. *Provided* that the abovementioned steps are taken, during this time, all enforcement actions, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. The accrual of interests is suspended for the same timeframe, except for claims secured by pledges, liens or mortgages. Pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the companies' register are ineffective against such pre-existing creditors. Any act, payment or security executed or created after the filing of the *concordato preventivo* application and in accordance with its rules and procedures is exempt from claw-back action. The debtor is also exempt from certain bankruptcy crimes provided under Articles 322, third paragraph ("**preferential bankruptcy**"), and 323 ("**simple bankruptcy**") of the Italian Insolvency Code, in relation to acts and payments made in execution of the Composition with Creditors and/or in relation to finance provided under Article 99 of the Italian Insolvency Code upon judicial authorization. Claims arising from acts lawfully carried out by the distressed company have super senior priority (*prededucibilità*) in the event of a subsequent judicial winding-up (see "*Statutory priorities*" below).

For details regarding super senior financing, please refer to the paragraph relating to debt restructuring agreements.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary and simplified petition pursuant to Article 44 of the Italian Insolvency Code. For sake of clarity, under Italian Insolvency Code, the simplified petition may be utilized by the debtor also to access a debt restructuring agreement or a restructuring plan subject to approval by the court (*piano di ristrutturazione soggetto ad omologazione*) or a *concordato*. The debtor company may file such petition, reserving the right to submit the underlying plan, the proposal and all relevant documentation (or the debt restructuring agreement, or the restructuring plan) within a period assigned by the court *(a)* between 30 and 60 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension (*giustificati motivi*) or in the event where filings for a judicial winding-up proceeding are not pending. If the court accepts such preliminary petition, it may, among other things: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 106 of the Italian Insolvency Code (*e.g.*, concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the abovementioned period. As mentioned above, filing the simplified petition, the debtor may request the application of Measures.

Pursuant to Article 44, paragraph 1, letter c) of the Italian Insolvency Code, the decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial

management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register.

Noncompliance with these requirements results in the simplified petition being declared inadmissible and, upon request of the creditors or the public prosecutor and *provided* that the relevant requirements are verified, in the adjudication of the distressed company into judicial winding-up. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the "full" application, the court may, *ex officio*, after hearing the debtor and if appointed the judicial commissioner, reduce the time for the filing of additional documents. Following the filing of the simplified petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company after the filing of the *concordato preventivo* petition (including preliminary petition) have super priority (*prededucibilità*) in case of a subsequent judicial winding-up.

The *concordato preventivo* proposal may also provide, *inter alia*: (i) the continuation of the business by the debtor as going concern; or (ii) the transfer of the business to one or more companies (*concordato con continuità aziendale*) as well as for a particular composition with creditors proceeding through which any assets that are no longer necessary to run the business of the company are liquidated (*concordato misto*). According to Article 84, paragraph 3 of the Italian Insolvency Code, the *concordato misto* qualifies as a *concordato con continuità aziendale*, regardless the "portion" of business for which going concern is envisaged. In these cases, the plan and the petition for the *concordato preventivo* must fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert must also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Existing contracts, even if entered with governmental bodies, are automatically not to be terminated by admission to procedure.

Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

Under Article 100 of the Italian Insolvency Code, a debtor who files for a *concordato* pursuant to Articles 44 and 87 of the Italian Insolvency Code based on business continuity may request the court to be authorized to pay pre-filing claims relating to the purchase of goods or services if an independent expert certifies that they are essential for business continuity and to ensure the best satisfaction of creditors.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and schedules a specific period of time during which creditors can express their vote. During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors), but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business).

Article 91 of the Italian Insolvency Code provides that, if the composition with creditors' plan, includes an offer for the sale of the debtor's assets or the sale of a going concern of the debtor to an identified third party, the court or the delegated judge shall order that for appropriate publicity to be given to the offer itself in order to acquire competing offers (*offerte concorrenti*). If expressions of interest are received, the court or the delegated judge, by decree, shall order the opening of the competitive proceeding. Furthermore pursuant to Article 91, paragraph 4, the judicial decree referred above establishes the procedures for the submission of irrevocable offers, providing that in all cases, among others, the following is ensured: (a) their comparability, (b) the requirements for the participation of the bidders, (c) the forms and timing of access to relevant information, (d) any limits on their use, (e) the manner in which the judicial commissioner must provide them to those who request them, (f) the manner in which the competitive procedure is to be conducted, (g) the minimum increase in the consideration to be provided by the subsequent offers, (h) the guarantees to be given by the bidders, (i) the forms of publicity, and (j) the date of the hearing for the evaluation of the bids if the sale takes place before the court. With the sale or with the assignment, whichever is earlier, to a person other than the original bidder identified in the plan, the latter and the debtor are released from their obligations towards

each other and accordingly the debtor shall amend the proposal and plan in accordance with the outcome of the competitive proceeding.

The *concordato preventivo* is voted on within the period of time scheduled by the court and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, or (b) the majority of the receivables admitted to vote is reached the majority of the classes. Pursuant to Article 109, paragraph 1, of the Italian Insolvency Code, in case one creditor holds more than the majority of receivables admitted to voting, it is also necessary to reach majority by headcount. The *concordato preventivo* is approved only if the required majorities of creditors expressly voted in favor of the proposal. Creditors who did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. In relation to voting by the holder of the Notes in the *concordato* proceedings, the interactions between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies are largely untested in the Italian courts (recent case law has however affirmed the right of noteholders whose vote may be tainted by conflict of interest as could be the case of disenfranchised noteholders to be computed for the purposes of relevant quota and be admitted to vote, albeit in a specific class). Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. Among others, (i) the companies controlling the debtor, controlled by the debtor and those under the control of the entity controlling the debtor, (ii) the assignees of the claims of the entities under point (i), if the assignment has been perfected during the year preceding the *concordato* and (iii) creditors in conflict of interest are excluded from voting. The court may approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the non-adhering creditors would be adequately safeguarded through it compared to other solutions (in particular in comparison with the judicial liquidation). If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a non-adhering class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case (including the judicial winding-up).

The court approves the *concordato preventivo* even in the absence of a vote by the tax authority or by the social contribution entities (*enti gestori di forme di previdenza o assistenza obbligatorie*) when their positive vote is decisive for the purposes of achieving the majorities referred to in Article 109, paragraph 1 of the Italian Insolvency Code, also on the basis of the result of the report of the independent expert referred to in Article 88 of the Italian Insolvency Code, the proposal to satisfy the aforesaid authorities and entities is convenient compared to a judicial liquidation scenario.

Furthermore, pursuant to Article 90 of the Italian Insolvency Code provides for the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan (*proposta concorrente*) to the debtor's plan - within 30 days prior from the related creditors' vote on the debtor's plan - in a court supervised composition with creditors proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor does not ensure recovery of at least 30% of the unsecured claims (*crediti chirografari*), considering also that such percentage is reduced to 20% in case the debtor has filed for a *composizione negoziata* provided for pursuant to Article 13 of the Italian Insolvency Code.

Differently from the general rules set out above, pursuant to Article 109 paragraph 5 of the Italian Insolvency Code, the composition with creditors on a going-concern basis (*concordato con continuità*), is approved if all the creditors' classes vote in favor of such composition with creditors arrangement. In each class, the relevant composition with creditors' proposal is approved if the majority of the claims allowed to vote is reached or, failing that, if two-thirds of the claims of the voting creditors have voted favorably, *provided* that the creditors holding at least half of the total claims of the same class have voted. In case of non-approval, Article 112, paragraph 2, of the Italian Insolvency Code shall apply. In this respect, it should be noted that secured creditors shall not vote if their claims are satisfied in cash,

in full, within 180 days from the sanctioning (*omologa*) of the *concordato con continuità* and *provided* that the security interests supporting the related claims remains firm until the winding-up, functional to their satisfaction. In case of claims of employees or other claims secured under Article 2751-*bis* of the Italian Civil Code, the delay is reduced to 30 days from the approval by the court.

Pursuant to Article 112, paragraph 5 of the Italian Insolvency Code, after the approval of the *concordato preventivo* proposal, non-adhering creditors (or creditors belonging to a non-adhering class) representing 20% or more of the liabilities may file an opposition (*opposizione*), challenging the economic convenience of the plan. In such case, the court has the authority to "cram-down" non-adhering creditors, compelling their acceptance of the plan, if it deems that the proposed treatment of their claims is equivalent to what they would recover in a judicial winding-up scenario. After the creditors' approval, the court approves the composition with creditors and appoints one or more liquidators in order to execute the approved plan if it has to be realized by way of a transfer of assets. The court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

Pursuant to Article 111 of the Italian Insolvency Code, if the creditors do not approve the *concordato preventivo*, the delegated judge (*giudice delegato*) shall promptly inform the court which, having decided that the appropriate conditions apply, shall declare the opening of the judicial winding-up proceeding.

The terms and the performance of the outstanding contracts which have been entered into, from time to time, by the debtor are not automatically affected by the *concordato preventivo* proceeding and normally continue pending the procedure, any agreement to the contrary being ineffective. However, pursuant to Article 97 of the Italian Insolvency Code, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*) if the continuation of such agreements is inconsistent with the prospects and the execution of the composition with creditors' plan, except for certain agreements which are excluded from the scope of the above provision (*e.g.*, employment agreements (*rapporti di lavoro subordinato*), residential real estate preliminary sale agreements (*contratti preliminari di vendita aventi ad oggetto immobili ad uso abitativo*) and real estate lease agreements (*contratti di locazione di immobili*)). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*) if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time *(a)* between 30 and 60 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension (*giustificati motivi*) or in the event where filings for a judicial liquidation proceeding are pending, renewable just once. When the composition proposal together with the relevant plan have been submitted, the suspension may also be authorized by the court for a further duration, which, however, may not exceed thirty days from the date of the decree opening the procedure, which may not be further extended. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the *concordato preventivo* procedure.

Pursuant to Articles 119 and 120 of the Italian Insolvency Code, in the event of a breach of the composition with creditors plan or fraud, *provided* that the relevant requirements are met, the *concordato* can be terminated or annulled, as the case may be, upon petition of one or more of the creditors and the judicial winding-up may follow, at the behest of the relevant court. if the composition with creditors is implemented, terms and conditions of payments are amended as per the *concordato* proposal, and the debtor may return to its usual operations (if the assets of the company are still in his possession). *Concordato preventivo* is compulsory for all creditors prior to the publication of the application in the companies' register. However, creditors retain without prejudice their rights against co-debtors and guarantors of the debtor.

In case of non-minor breaches, the *concordato* may be terminated by each of the creditors or the judicial commissioner (in case of petition by one or more of the creditors). The relevant lawsuit must be brought within one year from the deadline originally scheduled for the last activity to be carried out under the *concordato* itself. The *concordato* may also be annulled upon request of the judicial commissioner or of one or more creditors in case a portion of the assets of the debtor has been concealed or the liabilities have been willfully exaggerated. The relevant lawsuit must be brought within six months from the discovery of the concealment/exaggeration and, in any event, within two years from the deadline originally scheduled for the last activity to be carried out under the *concordato* itself.

Available financing forms under the Italian Insolvency Code

The enactment of the Italian Insolvency Code did not change the main features of the previous legal framework set out in the Italian Bankruptcy Law. The aim at preserving the value of the company as a going concern and maximizing creditor's repayment are the main goals both of the previous legal framework and the Italian Insolvency Code.

However, the new provisions under the Italian Insolvency Code remove some uncertainties and clarifies some debated issues.

In addition, the provisions under the Italian Bankruptcy Law focused mainly on the perspective of creditors already having claims against the company to avoid that the expectations of recovery of such claims were reduced due to the potential considerable increase in predeductible claims and, to this extent, granted a preeminent role to the independent expert together with the court authorization procedures. Unlike the former legal framework, the new provisions of the Italian Insolvency Code focus more on preserving the business value of the distressed company as a going concern by strengthening the key role of the financing of the debtor in the context of the relevant proceedings.

The provision of Article 99 of the Italian Insolvency Code applies to both debt restructuring agreement and to the court-supervised compositions with creditors (*concordato preventivo*).

The main features of the provisions concerning different available financings under the Italian Insolvency Code are set out below.

Interim financing - Article 99 Paragraphs 1 to 4 of the Italian Insolvency Code

Pursuant to Article 99, paragraphs 1 and 2, of the Italian Insolvency Code, in the context of restructuring transactions on a going concern basis, also in cases in which business continuity is maintained exclusively in a view of liquidation, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 57 (or Article 60 or 61) of the Italian Insolvency Code or a petition pursuant to Article 87 of the Italian Insolvency Code (in relation to the court-supervised composition with creditors procedure described below) may authorize the debtor, if so expressly requested to incur in new super senior indebtedness and to secure such indebtedness, subject to the court's authorization with in rem security (*garanzie reali*), or by assigning claims, *provided* that: (i) the petition specifies (A) the purpose of the financing; (B) that the debtor is unable to otherwise obtain the required funds and (C) that the absence of such financing will entail an imminent and irreparable prejudice to the going concern or to the proceedings; and (ii) the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financing are functional to the continuity of the business activities until the sanctioning (*omologa*) of the relevant insolvency proceedings or to the opening of the proceedings or to conduct them and, in any case, are aimed at providing a better satisfaction of the rights of the creditors. The expert report is not necessary in case the court recognizes that there is the urgent need to avoid an imminent and irreparable prejudice to the going concern. In the event of the subsequent admission of the debtor to the judicial winding-up proceeding (*liquidazione giudiziale*), the aforementioned financings do not enjoy the super senior priority status (*prededucibilità*) in case the petition or the expert report contain false data or omit important information or in case the debtor performed acts in fraud of the creditors (*atti in frode ai creditori*) and the judicial receiver proves that who made available such financings to the debtor, had knowledge of such circumstances at the date of the disbursement.

Bridge Financings - Article 99 Paragraph 5 of the Italian Insolvency Code

Pursuant to Article 99, paragraph 5, of the Italian Insolvency Code, financings (together with the related claims) granted, in any form, in view of (i.e. before) presentation of a petition for the sanctioning (*omologazione*) of a debt restructuring agreement or a court-supervised composition with creditors (*concordato preventivo*) (*finanza ponte*), may be granted such priority status *provided* that (i) they meet the requirements of Article 99, paragraphs 1 and 2 (described above), and (ii) it is envisaged by the relevant plan or agreement and that such priority status is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the debt restructuring agreement or the approval of the *concordato preventivo*. The indebtedness under such financing option may be secured, subject to the court's authorization, with in rem security (*garanzie reali*), or by assigning claims.

Implementation financing - Article 101 of the Italian Insolvency Code

In restructuring transactions on a going concern basis, pursuant to Article 101 of the Italian Insolvency Code, any financing granted to the debtor pursuant to a debt restructuring agreement (or a court-supervised pre-judicial liquidation composition with creditors) sanctioned by the competent court and expressly provided for in the relevant plan, enjoy super senior priority status (*prededucibilità*) in case of subsequent judicial liquidation, save for the below (such status also applies to financing granted by shareholders, but only up to 80% of such financing, unless the lender has become a shareholder of the debtor as implementation of the debt restructuring agreement or of the supervised pre-bankruptcy composition with creditors, as in such case the priority status is afforded to 100% of the financing) according with the provisions set forth in Article 221 of Italian Insolvency Code. In the event of the subsequent admission of the debtor to the judicial winding-up proceeding (*liquidazione giudiziale*), the aforementioned financings do not enjoy the super senior priority status (*prededucibilità*) in case the composition plan or the debt restructuring agreement, on the basis of an assessment to be made at the time of the relevant filing, results to be based upon false data or omission of relevant information or in case the debtor performed acts in fraud of the creditors (*atti in frode ai creditori*) and the judicial receiver proves that who made available such financings to the debtor, had knowledge of such circumstances at the date of the disbursement.

The shareholders' financing – Article 102 of the Italian Insolvency Code

Pursuant to Article 102, Paragraph 1 of the Italian Insolvency Code super senior ranking status also applies to any financings made available by shareholders in any form (including any guarantee facility or granting counter-indemnities) up to 80% of their amount.

Paragraph 2 of Article 102 of the Italian Insolvency Code clarifies that, to the extent the financing is made available by an entity becoming a shareholder in the context of and by way of implementation of a composition with creditors or debt restructuring agreement, all the claims deriving from such financings benefit of super senior ranking status and the 80% threshold limitation set out in Paragraph 1 does not apply.

Super senior ranking - Article 99 Paragraph 6 and 101 Paragraph 2 of the Italian Insolvency Code

Super senior ranking (*prededucibilità*) of the claims is the most relevant feature of bridge financings, interim financings and implementation financings as described in the paragraphs above.

Pursuant to Article 6(1) of the Italian Insolvency Code, the claims deriving from such financings are expressly qualified as super senior by law and by Article 6(2) of the Italian Insolvency Code which clarifies that their super senior ranking natures continues in the context of any subsequent insolvency or enforcement proceedings (including in a judicial liquidation or any so-called minor proceedings).

As already explained above, super senior ranking nature of such financings will be excluded in case of acts of fraud (which may be relevant also in the context of debt restructuring agreements).

Such limit to super senior ranking is regulated differently for interim financings and bridge financings on the one side and for the implementation financings on the other side.

More specifically, for interim financings or bridge financings false data or omission of relevant information are relevant when found by the court in the request for the incurrence of the financings or the attestation of the independent expert, whilst for implementation financings such elements are relevant when on included in plan underlying the composition with creditors or the debt restructuring agreement.

With reference to interim financings and bridge financings, Article 99 Paragraph 6 of the Italian Insolvency Code provides that, in case of the opening of a judicial liquidation, such financings (although authorized by the court in the context of the composition with creditors or the debt restructuring agreement) do not benefit from super senior ranking when it is proved (jointly) that:

(a) the request or the independent expert report contains false data or omits relevant information, or when the debtor has committed acts to defraud creditors in order to obtain the authorization; and

(b) the receiver proves that the entities who provided the financing, at the date of issuance, knew the aforementioned circumstances.

With reference to implementation financings, the relevant provisions are set out in Article 101 Paragraph 2 of the Italian Insolvency Code providing that such financings do not benefit from the super senior ranking, in case of the opening of a judicial liquidation (alternatively):

(a) when, based on an assessment to be made at the time of filing of the petition for the opening of the proceeding, the plan underlying the composition with creditors or debt restructuring agreement turns out to be based on false data or on the omission of relevant information; or

(b) when the debtor has carried out acts of fraud towards its creditors and the receiver proves that the lenders providing the financings were aware of such circumstances at the time of the establishment of the financings.

Restructuring plan subject to homologation (piano di ristrutturazione soggetto ad omologazione)

An important novelty concerns the crisis regulation procedures governed by Title IV of Part I of the Italian Insolvency Code, is the new figure of the restructuring plan subject to homologation (*piano di ristrutturazione soggetto ad omologazione*) (the so-called "**PRO**," the rules of which are set out in the new Articles 64-*bis* and 64-*ter* of the Italian Insolvency Code).

This new tool, takes the form of a restructuring framework that may disregard the distribution rules of regular insolvency proceedings but can be enacted *provided* that strict requirements are met. In this regard, it should be noted that recourse to this instrument will be reserved for a debtor in crisis or insolvent that plans to satisfy its creditors by dividing them into classes according to homogeneous legal positions and economic interests. This instrument allows the plan's proceeds to be distributed even in derogation of the principle of "*par condicio creditorum*" (i.e. the equal treatment of creditors), *provided* that the proposal is approved by unanimous consent of the classes. A judgement of admissibility is provided for by the court, which is called upon to assess the proposal's timeliness and to verify the correctness of the class formation criteria.

Application for the approval by the court of a restructuring plan must follow the steps of the common framework applicable to all restructuring tools and frameworks (i.e. *concordato preventivo*, debt restructuring agreement and also to judicial winding-up). The regulation of the restructuring plan subject to homologation (*piano di ristrutturazione soggetto ad omologazione*), from the date of submission of the application until its approval, is based on the model of the negotiated crisis settlement: the entrepreneur maintains the ordinary and extraordinary management of the company in the prevailing interest of the creditors under the supervision of the court commissioner. The debtor is, in any case, allowed to amend the application at any time, formulating the proposal of composition (*concordato preventivo*). In that case, the time limit for approval is shortened. Similarly, the debtor that has filed an application for composition with creditors may amend the application by applying for approval of the restructuring plan *provided* that the application is made before voting commences. In each class, the proposal is approved if a majority of the claims allowed to vote is reached or, failing that, if two-thirds of the claims of the voting creditors have voted in favor, *provided* that creditors holding at least half of the total claims of the same class have voted. The court will approve the restructuring plan in the event of approval by all classes. If a dissenting creditor objects to the proposal, the court will approve and homologate the restructuring plan if the proposal satisfies the claim to a not lesser extent than the one resulting from a judicial liquidation. A creditor that has not objected to the lack of convenience in its observations may not file an objection referred before, unless it proves such the lack of objection was due to a cause not attributable to it. In summary the restructuring plan subject to homologation *(piano di ristrutturazione soggetto ad omologazione*) thus represents for the debtor an opportunity instrument which minimizes the admissibility phase, providing greater freedom of action, but requiring the approval of all classes of creditors in order to be effectively approved.

Against the judgment of the court ruling on the approval of the restructuring plan subject to homologation (*piano di ristrutturazione soggetto ad omologazione*), the parties may file an appeal to the competent court of appeal within the term of 30 days from the notification of the relevant judgement of the court.

Court-supervised composition for small debtors

The Italian Insolvency Code provides for a simplified court-supervised composition in case the debtor does not meet the dimensional requirements to access other restructuring tools.

Procedural steps and effects do essentially mimic those of the *concordato preventivo*, but it entails the involvement of the board for crisis settlement (*organismo di risoluzione della crisi*), which assists the debtor in preparing the paperwork and filing the petition, and performs the activities and duties which, in a *concordato preventivo* are prerogatives of the judicial commissioner.

Judicial winding-up (liquidazione giudiziale)

The judicial winding-up (*liquidazione giudiziale*) is a court-supervised procedure for the liquidation of an insolvent company's assets and for the distribution of the related proceeds. It results in the company's liquidation. Insolvency, as defined under Article 2 of the Italian Insolvency Code, also evidenced by defaults and/or external elements, occurs when a debtor is no longer able to regularly meet its obligations as they come due.

The judicial winding-up is declared by the competent court and is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness (including debts not yet due) in excess of €0.5 million. Pursuant to Article 37 of the Italian Insolvency Code, the request to commence the judicial liquidation of the debtor company's assets can be filed by (i) the debtor company itself, (ii) the administrative bodies and authorities that have control and supervisory functions over the company, (iii) by one or more of the debtor's creditors and (iv) in certain cases, by the public prosecutor.

Upon the commencement of judicial winding-up proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances, secured creditors may enforce against the secured property as soon as their claims are admitted as secured claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the debtor's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the judicial receiver and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;

- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and rank *pari passu* with all of the debtor's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the judicial receiver (*curatore*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;

- the payments of all debts and liabilities of the debtor and all the acts, transactions, payments made or received by the insolvent debtor are immediately suspended and formalities with third parties that have been carried out after the declaration of insolvency are not effective as regards the creditors of the debtor (Article 145 of Italian Insolvency Code);

- the debtor is dispossessed, and the administration of the debtor and the management of its assets are transferred to the judicial receiver (*curatore*). The debtor may no longer validly act in court as claimant or defendant in relation to the assets (Article 142 of the Italian Insolvency Code). The judicial receiver is vested with such powers upon the authorization of the delegated judge. However, all pending proceedings in which the debtor is involved

are automatically stayed from the date the adjudication is issued and need to be re-initiated by or against the judicial receiver;

- the beginning of the judicial winding-up involves the cessation of all the activities of the company with a view to a sale of all assets. However, continuation of business may be authorized by the court if the continuation of the company's business does not cause damage to creditors. If the competent court authorizes the continuation of the business (*esercizio provvisorio dell'impresa*), the management of the business is entrusted to the judicial receiver (who may in turn avail himself of qualified third parties for this purpose);

- certain payments made, security interests given or transactions entered into by the debtor in a certain period before the debtor's submission to a judicial winding-up procedure (varying from six months to two years) can be set aside and clawed back if certain conditions are met (provided for pursuant to Article 166 of the Italian Insolvency Code);

- any act (including payments, pledges, and issuance of guarantees) made by the debtor after (and in certain cases even before for a limited period of time) the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors; and

- the execution of certain contracts and/or transactions pending as of the date of the insolvency declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the judicial receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules expressly provided for the Italian Insolvency Code.

In order to overcome the uncertainty that may predictably arise, the contractual counterparty may file a written petition requiring the Court to give the judicial receiver (*curatore*) a deadline of no more than 60 days; within such deadline, the receiver must decide to enter into the agreement or withdraw from it. Upon expiration of the deadline without the judicial receiver having replied to the counterparty's request, the pending agreement is deemed terminated. Although the general rule is that the judicial receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by the Italian Insolvency Code.

Judicial winding-up proceedings, as per the former bankruptcy proceedings under Italian Bankruptcy Law, are carried out and supervised by a court-appointed judicial receiver, a deputy judge (*giudice delegato*) and a creditors' committee (*comitato dei creditori*). The judicial receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority rights. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate property.

Furthermore, the parties of a judicial winding-up proceeding as well as any interested party, may file an appeal (*opposizione*) to the decree closing the judicial winding-up proceeding within 30 days after having been notified of the same.

Composition with creditors in judicial liquidation (concordato nella liquidazione giudiziale).

Pursuant to Article 240 of the Italian Insolvency Code, judicial liquidation proceedings can terminate prior to the actual judicial liquidation (*liquidazione giudiziale*) of the debtor, through a proposal for a composition with creditors in judicial liquidation. By way of preliminary note, such agreement occurring in the context of a judicial liquidation proceeding (i) replaced the former proceeding defined as "*concordato fallimentare*," a composition with creditors agreement occurring in the context of a bankruptcy proceeding (*fallimento*) formerly provided for under Article 124, paragraph 1 of the Italian Bankruptcy Law and (ii) should be kept distinct from the *concordato preventivo*, which is an independent insolvency proceeding. This particular composition with creditor agreement arrangement benefits in a certain way both the debtor as well as the creditors, in fact while the former is released of the debts falling into the relevant plan also regaining free disposal of his assets, the latter is satisfied faster and to a greater extent than they would have been with the full completion of the judicial liquidation process pertaining to the debtor's assets.

The creditor, a third party or the debtor himself formulates a proposal having as its object a “plan” to satisfy creditors, including preferential creditors, in full or in part. In case the *concordato nella liquidazione giudiziale* is proposed by the debtor, such proposal, *inter alia*, (i) shall be filed after one year from the opening of the judicial liquidation proceeding and (ii) shall provide for the contribution by the debtor of resources that increase the value of the debtor’s assets by at least 10%.

Such proposal shall be submitted to the competent judge, shall then be approved by the creditors and finally by the court. In case the court’s decree approving the *concordato nella liquidazione giudiziale* becomes final (*definitivo*), the court declares the judicial liquidation to be closed and terminated, initiating the enactment phase of the *concordato nella liquidazione giudiziale*. In the context of a *concordato nella liquidazione giudiziale*, the competent court supervises both the proposal and execution phases while the judicial receiver (*curatore*), once the liquidation is closed, loses his management functions and retains only supervisory duties over the fulfillment of the terms and the conditions of the arrangement obligations arising from or in connection with the aforementioned *concordato nella liquidazione giudiziale*.

Pursuant to Article 240, paragraph 2 of the Italian Insolvency Code, the proposal may provide for:

(a) the division of creditors into classes, according to homogeneous legal position and economic interests.

(b) Under the relevant provision, such division is not mandatory but discretionary, provided two criteria for the class identification: (a) legal position, i.e. the nature of the claim, *e.g.*, unsecured or preferential and (b) the homogeneous economic interests. In this respect, the Italian Insolvency Code requires for the criteria and rationale for the division into classes to be expressly stated in order to avoid the distorted use of class formation, put in place for the sole purpose of obtaining the approval of the abovementioned proposal;

(c) differential treatment between creditors belonging to different classes, indicating the reasons of such differences;

(d) the restructuring of the financial indebtedness of the debtor as well as the satisfaction of claims in any form possible, by way of example:

    (i) by assignment of assets;

    (ii) by assumption (*accollo*);

    (iii) by means of other extraordinary transactions, including the assignment to creditors (as well as to companies in which they have an interest), of shares, quotas or bonds, including those convertible into shares or other financial instruments and debt securities.

It should be noted that a special feature of the *concordato nella liquidazione giudiziale* is the option to provide that secured creditors may not be satisfied in full. However, it is necessary for the plan to provide for their satisfaction to a non-lesser extent than that the one which can be realized, by reason of preferential placement, from the relevant proceeds in the event of a judicial liquidation, having regard to the market value attributable to the assets or rights over which the cause of pre-emption exists.

The *concordato nella liquidazione giudiziale* proposal must be approved by the creditors’ committee and the creditors holding the simple majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in the majority of the classes). However, in the event of dissent by more than one creditor’s class, a cram-down may occur (i.e. in case the court decides to approve the *concordato* - despite a creditor belonging to a dissenting class contests the appropriateness of the proposal) if it finds that the claims can be satisfied by the *concordato* to a non-lesser extent than the practicable alternatives. Final court confirmation and sanctioning (*omologazione*) is also required.

Finally, once approved and sanctioned (*omologato*) by the court the *concordato nella liquidazione giudiziale* is mandatory:

(i) for all existing creditors prior to the opening of the judicial liquidation proceeding; and

(ii) for creditors who have not applied for the admission to the judicial liquidation estate, to whom the guarantees or the security interests given in the *concordato nella liquidazione giudiziale* by third parties do not extend.

With the termination of the judicial liquidation - as a consequence of the sanctioning decree (*decreto di omologa*), which pursuant to Article 247 of the Italian Insolvency Code may be challenged and appealed within 30 days from its notification - the debtor returns "*in bonis*" and enjoys the renewed availability of its assets.

- **Statutory priorities**. The statutory priority assigned to creditors under the Italian Insolvency Code may be different from the priorities in the U.S., the UK and certain other EU jurisdictions. The proceeds of liquidation shall be allocated according to the following order: (i) for payments of "*predeductible*" claims (i.e. claims originated in the insolvency proceeding, such as costs related to the procedure) as better identified in Article 6 of the Italian Insolvency Code; (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including, inter alia, a claim whose priority is legally acquired (i.e. repayment of rescue or interim financing) the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the debtor's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian judicial liquidation estate to the extent they are inconsistent with the priorities provided by law). The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire debtor's estate or part thereof, or from a single asset.

In particular, pursuant to Article 6 of the Italian Insolvency Code, in addition to claims expressly qualified as "*prededucibili*" under Italian law, among others, the following claims are "*prededucibili*":

(i) claims relating to expenses and fees for services rendered by the business crisis settlement body;

(ii) professional claims arising from or in connection with the filing for the approval of a restructuring plan subject to homologation, the debt restructuring agreements and for the application for protective measures, to the extent of 75% of the assessed claim and *provided* that the abovementioned plan or agreements are approved and homologated;

(iii) professional claims arising from or in connection with the filing of for a court supervised composition with creditors procedure as well as the filing of the related proposal and the plan accompanying it, within the limits of 75% of the ascertained claims and *provided* that the proceedings are opened pursuant to Article 47 of the Italian Insolvency Code; and

(iv) claims legally arisen in connection with insolvency proceedings for the management of the debtor's assets and the continuation of the business of the company as well as arising from the professional services required by the related bodies.

- **Avoidance powers in insolvency**. A fundamental principle of the Italian Insolvency Code is the equal treatment of all creditors ("*par condicio creditorum*"), according to which, absent statutory priorities or security right, no creditor may be paid a higher percentage of his claim than other creditors. A consequence of this principle is not only that the payment of debts by the judicial receiver is strictly regulated, but also that all transactions effected by the debtor over the previous year (or, in certain cases, over the previous six months) are scrutinized and potentially unwound as preferential.

Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of insolvency. The key avoidance provisions include, but are not limited to, transactions made below

market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in judicial winding-up compared to the rules applicable in other jurisdictions.

In insolvency proceedings, depending on the circumstances, the Italian Insolvency Code provides for a claw-back period of up to two years (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions. In the context of extraordinary administration procedures (as described below), the claw-back period may last up to three or five years in certain circumstances. The Italian Insolvency Code distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the judicial receiver/court commissioner, as detailed below.

- **Acts ineffective by operation of law**. Under (i) Article 163 of the Italian Insolvency Code, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor after the filing to the relevant court followed by the opening of the judicial winding-up procedure or within the two years preceding the opening of such insolvency proceeding. Any asset subject to a transaction which is ineffective pursuant to Article 163 of the Italian Insolvency Code becomes part of the liquidation estate by operation of law upon registration (*trascrizione*) of the court's decision opening the insolvency proceeding, without needing to wait for the ineffectiveness of the transaction to be sanctioned by a court. Any interested person may challenge the registration before the delegated judge as a violation of law, and (ii) under Article 164 of the Italian Insolvency Code, (A) payments of receivables falling due on the day of the judicial declaration of opening of the judicial liquidation or later, if they were executed by the debtor after the filing of the application followed by the opening of the winding-up proceeding or in the prior two-year period; and (B) payments made by the debtor with respect to any intercompany loan within one year prior to a judicial winding-up declaration (or after the filing of the application followed by the opening of the winding-up proceeding), are ineffective vis-à-vis creditors.

- **Acts that may be avoided at the request of the judicial receiver/court commissioner**. The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the debtor as provided for by Article 166 of the Italian Insolvency Code and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

  (i) onerous transactions carried out after the filing followed by the opening of the judicial liquidation proceeding or in the previous year, where the value of the debt or the obligations undertaken by the debtor exceeds 25% of the value of the consideration received by and/or promised to the debtor;

  (ii) payments of debts, due and payable, made by the debtor which were not paid in cash or by other customary means of payment which were carried out after the filing followed by the opening of the judicial liquidation proceeding or in the previous year;

  (iii) pledges and mortgages granted by the debtor after the filing followed by the opening of the judicial liquidation proceeding or in the year prior, in order to secure pre-existing debts which were not yet due at the time the new security was granted; and

  (iv) pledges and mortgages granted by the debtor after the filing followed by the opening of the judicial liquidation proceeding or in the six months prior in order to secure pre-existing debts which had already fallen due at the time the new security was granted.

Furthermore, payments of debts that are immediately due and payable and any onerous transactions and/or granting of priority rights/security interests for debts simultaneously created (event those of third parties) may be clawed back (*revocati*) and declared ineffective, if the judicial receiver proves that the other party knew of the debtor's state of insolvency and if made by the debtor after the filing of the petition followed by the opening of the judicial liquidation or during the prior six months.

The following transactions are exempt from claw-back actions:

(i) payments for goods or services made in the ordinary course of business according to market practice;

(ii) a remittance on a bank account; *provided* that it does not materially and permanently reduce the entity's debt towards the bank;

(iii) the sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, in force as the date of this Exchange Offer Memorandum, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; *provided* that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

(iv) transactions entered into, payments made or guarantees granted with respect to the debtor's goods, *provided* that they concern the implementation of a *piano attestato di risanamento* (see "*Out-of-court reorganization plans*" (*piani attestati di risanamento*) pursuant to Articles 56 or 284 of the Italian Insolvency Code above);

(v) a transaction entered into, payment made or guarantee or security interests granted in the context of a court supervised composition with creditors (*concordato preventivo*), of a restructuring plan subject to homologation (*piano di ristrutturazione soggetto ad omologazione*) provided for pursuant to Article 64-bis of the Italian Insolvency Code or of sanctioned debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti omologati*) and/or transactions entered into, payments made and security interests legitimately granted by the debtor after the filing of the application for a *concordato preventivo* or of an *accordo di ristrutturazione dei debiti* (see above);

(vi) remuneration payments to the entity's employees and consultants concerning work carried out by them; and

(vii) payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to a pre-judicial liquidation restructuring framework (see below under "*pre-judicial liquidation restructuring frameworks (strumenti di regolazione della crisi e dell'insolvenza della società)*") or to other insolvency procedures provided for pursuant to the Italian Insolvency Code.

Pursuant to Article 170 of the Italian Insolvency Code, the limitation period for initiating claw-back action proceedings is three years from the opening of the judicial liquidation procedure or, if earlier, five years from the act or transaction to be clawed back. In case judicial liquidation is commenced after the filing of a petition to be admitted to any insolvency proceedings, according to Article 170, paragraph 2 of the Italian Insolvency Code, the suspect period is calculated backward from the date on which such petition is filed. In addition, in certain cases, the judicial receiver can request that certain transactions of the debtor be declared ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. In this respect, under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, *provided* that the debtor was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the debtor for the purpose of prejudicing the creditors) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design). The burden of proof is entirely with the receiver.

The Italian Insolvency Code provides special regimes on preferences and avoidances of intra-group transactions. Under Article 290 of the Italian Insolvency Code the limitation period of initiating intra-group claw-back actions (referring to acts and transactions entered into by companies belonging to the same group that jeopardize the creditors' interest) is extended to five years from the filing for judicial winding-up declaration.

Law 132/2015 also introduced new Article 2929-bis to the Italian Civil Code, providing for a "simplified" claw-back action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement

proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (*e.g.*, gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale* or "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third-party purchaser. Finally, as noted above, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the EU.

Adequate organizational, administrative and accounting corporate structures. One of the main novelties included in the Italian Insolvency Code concerns the definition of the organizational, administrative and accounting structures of a company which are deemed to be adequate under Article 2086 of the Italian Civil Code, required by the applicable regulations for the purpose of timely detection of the state of crisis and the undertaking of suitable initiatives by the debtor. Article 3 of the Italian Insolvency Code requires the entrepreneur to adopt an appropriate organizational structure in accordance with Article 2086 of the Italian Civil Code, for the purpose of timely detection of the crisis of the company as well as the timely undertaking of suitable initiatives to overcome the crisis and recover business continuity. However, neither the aforementioned Article 3, in its current wording, nor Article 2086 of the Italian Civil Code, as amended by the Italian Insolvency Code, contains a precise description of the parameters, conditions and characteristics that are deemed to be necessary/needed for the definition and especially for the identification of "adequate structures."

In this regard, Article 3 of the Italian Insolvency Code precisely enunciates, on the one hand, the purposes to which the measures and structures must aim in order to be considered as adequate for the timely detection of the crisis and, on the other hand, the relevant warning signs in relation to the same. In this respect, it is stipulated that, for the purpose of the timely detection of the company's state of crisis, the measures and structures deemed to be adequate should make it possible to:

(i) detect any imbalances of an equity or economic-financial nature, related to the specific characteristics of the company as well as to the business activity carried out by the debtor;

(ii) verify the non-sustainability of debts and the absence of prospects for business continuity for the next twelve months as well as the warning signs identified by Article 3, paragraph 4 of the Italian Insolvency Code; and

(iii) derive the information necessary to follow the detailed checklist and conduct the practical test for the reasonable pursuit of the debtor's financial recovery.

For the sake of completeness and as set out above, it should also be noted that Article 3, paragraph 4 of the Italian Insolvency Code provides an exact indication of the warning signs, identified, inter alia, as follows:

(i) the existence of payroll debts overdue for at least 30 days equal to more than half of the total monthly payroll amount;

(ii) the existence of receivables owed to suppliers that are at least 90 days past due in an amount greater than the amount of receivables that are not past due;

(iii) the existence of exposures to banks and other financial intermediaries that have been past due for more than 60 days or have exceeded the limit of credit facilities obtained in any form for at least 60 days *provided* that they represent in the aggregate at least 5% of the total exposures; and

(iv) the existence of one or more exposures to certain public institutions listed under Article 25-*novies* of the Italian Insolvency Code.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza).

The extraordinary administration procedure is available under Italian law for large industrial and commercial enterprises; this procedure is commonly referred to as the "*Prodi-bis procedure*." To be eligible, companies must be insolvent although able to demonstrate serious recovery prospects, have employed at least 200 employees in the

previous year preceding the commencement of the procedure, and have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income deriving from sales and services during its last financial year. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for judicial winding-up proceedings with respect to existing contracts and creditors' claims largely apply to an extraordinary administration proceeding. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company's business activity. Extraordinary administration procedures involve two main phases—a judicial phase and an administrative phase.

Judicial Phase. In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submit(s) a report to the court (within 30 days) together with an opinion from the Italian Ministry of Economic Development (the "**Ministry**"). The court has 30 days to decide whether to admit the company to the procedure or place it into judicial winding-up.

Administrative Phase. If the company is admitted to the extraordinary administration procedure, the administrative phase begins and the extraordinary commissioner(s) appointed by the Ministry prepare a restructuring plan. The plan can provide either for the sale of the business as a going concern within one year (unless extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "**Recovery Plan**"). It may also include a composition with creditors (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner(s). In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry. The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan; however, should either plan fail, the company will be declared insolvent.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003 pursuant to Law Decree No. 347 of December 23, 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended, this procedure is also known as the "*Marzano procedure*." It is complementary to the Prodi-bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

Certain provisions of Italian law relating to the Marzano procedure, including with reference to the access of the companies to such procedure, have been amended only recently by virtue of the Law Decree No. 9 of February 2, 2024 and are currently subject to conversion into law and, therefore, may be subject to further implementation and/or interpretation and have not been tested to date in the Italian courts.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company insolvent and open judicial winding-up proceedings.

Compulsory administrative winding-up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*), provided for pursuant to Article 293 and ff. of the Italian Insolvency Code, is only available for public interest entities such as state-controlled companies,

insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to judicial liquidation proceedings, save for a different indication under Italian law. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (*e.g.*, in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company by the relevant governmental authority (*e.g.*, the Bank of Italy or the Ministry of Economic Development, which are competent for the filing of an application for a declaration of insolvency with the subsequent opening of the compulsory administrative winding-up proceeding). The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under insolvency proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for insolvency proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Common rules for pre-judicial liquidation restructuring frameworks (strumenti di regolazione della crisi e dell'insolvenza della società)

In order to facilitate access and filing of restructuring procedures by the Italian companies, Articles 120-*bis* and ff. of the Italian Insolvency Code have been enacted, introducing a set of rules applicable to all pre-judicial liquidation restructuring tools (*strumenti di regolazione della crisi e dell'insolvenza*). Among other things, pursuant to Article 120-*bis*, paragraph 2 of the Italian Insolvency Code and the purposes of a successful restructuring, the plan may provide for "*any modification of the articles of association of the debtor company, including capital increases and reductions, including with limitation or exclusion of the option right and other modifications that directly affect the shareholders' participation rights, as well as for mergers, demergers and transformations*." Shareholders, who may no longer have an interest in the company, are prevented from hindering the restructuring or even one of its stages. For this reason, pursuant to Article 120-*bis*, paragraphs 3 and 4 of the Italian Insolvency Code, the shareholders, while retaining a right to information in relation to both the initiation and the progress of the restructuring process, may not remove the directors without just cause, as is the case for the statutory auditors of joint stock companies, also in light of the fact that under the provisions of the Italian Insolvency Code it is not considered as being just cause for directors' removal, the filing for access to the pre-judicial liquidation restructuring tools (*strumenti di regolazione della crisi e dell'insolvenza*) when the related legal conditions and requirements are met. However, pursuant to Article 120-*bis,* paragraph 5, shareholders representing at least 10% of the filing company's corporate capital may make a competing proposal.

The plan may provide for the formation of one class of shareholders or several classes if there are shareholders to whom different rights are granted by the by-laws, including as a result of the changes provided for in the plan. The formation of classes is, however, mandatory if the plan provides for changes that directly affect the shareholders' participation rights and, in any case, for large companies and companies with widespread capital. In this context, special conditions for approval of the arrangement are set out pursuant to Article 120-*quater* of the Italian Insolvency Code when and if the plan provides for shareholder attributions. Specific rules are then provided to ensure that creditors' interests are protected in all cases in which the restructuring tool envisages shareholders to retain a participation in the company with a certain value.

Article 120-*quinquies* of the Italian Insolvency Code, regulates the execution phase of such measure. In order to avoid any obstructive attitude of the shareholders towards the approval of the restructuring tool, this provision expressly excludes the necessity for their approval and/or resolution on the implementation of such restructuring tool, by generally attributing the relevant powers to the directors or more specifically to the competent court, in relation to any amendment to the debtor's by-laws which - being specifically provided for by the plan - do not require any discretionary resolution. Finally, it is stipulated that changes in the corporate structure resulting from the implementation of a pre-judicial liquidation restructuring tools (*strumenti di regolazione della crisi e dell'insolvenza*)

shall not be considered as and constitute cause for the termination or amendment of any agreement entered into by the debtor with third parties.

Articles 284 and ff. of the Italian Insolvency Code contain specific rules regarding (i) the access of a group to one of the pre-judicial liquidation restructuring tools (*strumenti di regolazione della crisi e dell'insolvenza*) aiming at unifying – to the extent possible – the relevant proceedings; (ii) liability lawsuits available to the receiver; and (iii) subordination of claims.

Hardening period/clawback and fraudulent transfer

In a judicial winding-up proceeding, the Italian Insolvency Code provides for a claw-back period of up to two years (six-months in certain circumstances). In addition, in certain cases, the judicial receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*).

Under Italian law, in the event that a guarantor and/or security provider and/or the relevant entity enters into insolvency proceedings, certain transactions carried out by such entity and/or the security interests created under the documents entered into to create security over the Optics Notes Collateral and any future security interests or guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of the relevant guarantor and/or security provider or entity under the rules of avoidance or claw-back of (*revocatoria*) provided for pursuant to the Italian Insolvency Code and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during a certain legally specified suspect period. The avoidance may relate to (i) transactions made by the debtor within the suspect period of one year prior to the opening of the judicial liquidation proceeding or occurred after the filing for the opening of the judicial liquidation, at below market value (i.e. to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (*e.g.*, payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted during the suspect period of one year prior to the opening of the judicial liquidation proceeding or occurred after the filing for the opening of the judicial liquidation with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of one year prior to the opening of the judicial liquidation proceeding or occurred after the filing for the opening of the judicial liquidation receiver proves that the creditor was aware of the insolvency of the debtor. In case judicial liquidation is commenced after the filing of a petition to be admitted to any insolvency proceedings, according to Article 170, paragraph 2 of the Italian Insolvency Code, the suspect period is calculated backward from the date on which such petition is filed. The transactions potentially subject to avoidance also include those contemplated by a guarantor's guarantee under the Optics Notes or the granting of security interests under the Security Documents by a guarantor and/or security provider. If they are challenged successfully, the rights granted under the guarantees or in connection with security interests under the relevant Security Documents may become unenforceable and any amounts received under such transactions must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Optics Notes could lose the benefit of the security interest or of the guarantee and may not be able to recover any amounts under the related Security Documents and/or the guarantees under the Optics Notes.

It should be noted that: (i) under Article 163 of the Italian Insolvency Code, subject to certain limited exceptions, all transactions carried out by the debtor for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor after the filing to the relevant court followed by the opening of the judicial winding-up procedure or within the two years preceding the opening of such insolvency proceeding. Any asset subject to a transaction which is ineffective pursuant to Article 163 of the Italian Insolvency Code becomes part of the liquidation estate by operation of law upon registration (*trascrizione*) of the court's decision opening the insolvency proceeding, without needing to wait for the ineffectiveness of the transaction to be sanctioned by a court. Any interested person may challenge the registration before the delegated judge as a violation of law, and (ii) under Article 164 of the Italian Insolvency Code, (A) payments of receivables falling due on the day of the judicial declaration of opening of the judicial liquidation or later, if they were executed by the debtor after the filing of the application followed by the opening of the judicial winding-up proceedings insolvency declaration or in the prior two-year period; and (B) payments made by the debtor with respect

to any intercompany loan within one year prior to a judicial winding-up declaration (or after the filing of the application followed by the opening of the winding-up proceeding), are ineffective *vis-à-vis* creditors.

In addition, as noted above, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

Certain Limitations on Enforcement

The enforcement of security interests by creditors in Italy can be complex and time consuming, especially in a liquidation scenario, given that Italian courts maintain a significant role in the enforcement process in comparison to other jurisdictions with which the holders of the Optics Notes may be familiar. The two primary goals of the Italian law are first, to maintain employment, and second, to liquidate the debtor's assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concern and by ensuring that employees are transferred along with the businesses being sold.

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy or judicial liquidation receiver or by other creditors under the rules of ineffectiveness or avoidance or claw-back of (i) Italian Bankruptcy Law and/or (ii) Italian Insolvency Code and the relevant law on the non-insolvency avoidance or claw-back of transactions made by the debtor during a certain legally specified period (the "**suspect period**"). For a more detailed explanation of the terms, conditions and consequences of claw-back actions in an insolvency scenario, see "*—Bankruptcy (fallimento) and – Italian Insolvency Code*" above.

If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Optics Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

Furthermore, in the event that the limitations on the guarantee issued by a guarantor incorporated under the laws of Italy apply and/or there are payment obligations under any Optics Notes other than in respect of principal or interest, the noteholders could have a reduced claim against the relevant guarantor.

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, *inter alia*, the following aspects:

(a) the enforcement of obligations may be limited by the insolvency proceedings listed above relating to or affecting the rights of creditors;

(b) an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Italian court;

(c) with respect to contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;

(d) claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni and decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;

(e) pursuant to Article 1241 of the Italian Civil Code concerning set-off of reciprocal obligations (*compensazione*), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets and are equally liquid and payable;

(f) where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;

(g) the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the application of Italian overriding mandatory provisions (*norme di applicazione necessaria*) and by the fact that the relevant provisions of laws may be deemed contrary to Italian public policy principles and there is no case law setting out specific criteria for the application of such legal concepts under Italian law;

(h) there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;

(i) enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);

(j) the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;

(k) in general, under Italian law contracts can be declared null and void (*nullo* (Article 1418 of the Italian Civil Code) or *annullabile* (Article 1425 of the Italian Civil Code));

(l) any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code). Furthermore, contracts may be terminated for breach (Article 1453 of the Italian Civil Code), supervening impediment (Article 1463 of the Italian Civil Code) or excessive onerousness (Article 1467 of the Italian Civil Code);

(m) an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied;

(n) an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;

(o) in case of bankruptcy (filed or pending before July 15, 2022) or a judicial liquidation, a receiver is appointed by the court to administer the proceeding under the supervision of the court and creditors' committee and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the debtor (automatic stay). Furthermore, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the court or, in case of judicial liquidation, to have the pledged assets assigned at a fair market value returning any excess to the judicial liquidation estate;

(p) the preemption rights (*prelazione*) granted by a pledge extend to interest accrued in the year in which the date of the relevant seizure/attachment or adjudication in bankruptcy falls (or, in the absence of seizure/attachment, at the date of the notification of the payment demand (*precetto*)) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale occurred in the context of the relevant foreclosure proceeding or bankruptcy/judicial liquidation proceedings;

(q) in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date ("*data certa*"); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an indisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document;

(r) there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;

(s) the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), willful misconduct (*dolo*) or the violation of mandatory provisions;

(t) penalties and liquidated damages (*penali*) may be equitably reduced by a court;

(u) Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;

(v) a security interest does not prevent creditors of the relevant debtor other than the secured creditors from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge;

(w) in case of bankruptcy (to the extent applicable after July 15, 2022) or judicial liquidation of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding or in case of a judicial liquidation the pledged assets can also be assigned to secured creditors at a fair market value and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas/shares;

(x) if a party to an agreement is aware of the invalidity of that agreement and does not inform the other parties to that agreement of such invalidity, it is liable for the damages suffered by such other parties as a consequence of having relied upon the validity of the agreement; and

(y) any obligation of an Italian company and/or any obligation secured or guaranteed by an Italian company, which is in violation of certain Italian mandatory or public policy rules (including, *inter alia*, any obligation to pay: (i) any portion of applicable remuneration (including interest, default interest, fees, charges, expenses and other costs and any other form of compensation related to the Notes) exceeding the thresholds permitted under the Italian law No. 108 of March 7, 1996 (i.e. the "**Italian usury law**"), as amended from time to time and related implementing rules and regulations; and (ii) any portion of interest deriving from any compounding of interest which does not comply with Italian law, including Article 1283 of the Italian Civil Code, according to which, accrued and unpaid interest can be capitalized only after legal proceedings to recover the debt were started or in the event the interest were unpaid and capitalized for not less than six months based on an agreement executed after the relevant maturity date and Article 120 of the Italian Legislative Decree No. 385/1993 (i.e. the Italian Banking Act)) may not be enforceable.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date on which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back action (*azione revocatoria ordinaria*) pursuant to Article 2901 and following of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

(a) that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and

(b) that, in the case of non-gratuitous acts, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Furthermore, under fraudulent conveyance and other provisions of Italian law, a court could void or invalidate all or a portion of the obligations of a guarantor under the relevant guarantee and, if payment had already been made under that guarantee, require the recipients of that payment to return the payment to the relevant guarantor, if the court found that, inter alia:

(i) the relevant guarantor gave such guarantee with actual intent to hinder, delay or defraud its current or future creditors or with the intent of giving undue preference to certain creditors over others, or when the beneficiary of the guarantee was aware that the relevant guarantor was insolvent when it gave the relevant guarantee;

(ii) the relevant guarantor did not receive fair consideration or reasonably equivalent value for its guarantee or the relevant guarantor was insolvent at the time the guarantee was given;

(iii) the relevant guarantee was held to exceed the corporate objects of the relevant guarantor or not to be in the best interest or for the corporate benefit of the relevant guarantor; or

(iv) the guarantor giving such guarantee was aware, or should have been aware, that the transaction was to the detriment of the creditors.

If a court decided either that a guarantee was a fraudulent conveyance and voided such guarantee, or held it unenforceable for any other reason, the beneficiary of the guarantee may cease to have any claim with respect to the relevant guarantor. The same would also apply to any security interest.

Limitations on Validity and Enforceability of guarantees and Security Interests under Italian Law

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated in Italy must be permitted by the applicable laws and by its by-laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition (or its refinancing), group reorganization or restructuring, financial assistance issues may also be triggered.

Corporate Benefit

An Italian company entering into a transaction (including granting a guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation, is assessed and determined by a factual analysis on a case by case basis and its existence is a business decision of the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for downstream guarantee or security (i.e. a guarantee guaranteeing or a security interest granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (i.e. security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive adequate benefits or advantages from the granting of such guarantee or security. In particular, in case of an up-stream and cross-stream guarantee or security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. Generally, the risk assumed by an Italian grantor of security or guarantor under a guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company ultra vires and potentially affected by a conflict of interest, and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including the

security interest or guarantee granted by an Italian company) could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream, cross-stream and down-stream guarantees or security interests granted by Italian companies.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of Italian Legislative Decree No. 385 of September 1, 1993 (the "**Italian Banking Act**"), whose exercise is exclusively demanded to banks and authorized financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, among others, entail the relevant guarantees being considered null and void. In this respect, Italian Ministerial Decree No. 53 of April 2, 2015, implementing Article 106, paragraph 3, of the Italian Banking Act, states that the issuance of guarantees or the granting of security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies which are under the control of the same entity. As a result of the above described rules, subject to the relevant guarantors and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

Financial Assistance

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation of financial assistance provisions. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

Article 1938 of the Italian Civil Code

In addition, pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by an Italian guarantor is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantees granted by an Italian guarantor must be supported by corporate benefit; in other words, the maximum guaranteed amount must be indicated in the guarantee and shall not exceed the financial capabilities of the Italian guarantor. It has been held, that such determination must be proportionate to the relevant guarantor's assets. If such determination is deemed disproportional to the assets of the relevant Italian guarantor, there is the risk that the guarantee could be declared void, even if it is uncertain, however, whether courts are entitled to debate and to rule over such determinations.

In any event, pursuant to Article 1938 of the Italian Civil Code, the maximum amount that an Italian guarantor may be required to pay in respect of its obligations as a guarantor under its guarantee under Optics Notes will not exceed 150% of the aggregate amount of the Optics Notes.

It is understood that the maximum amount that a guarantor may be required to pay in respect of its obligations as guarantor under the USD Optics Notes Indenture / EUR Optics Notes Trust Deed will ratably concur and not cumulate with the corresponding amounts due by such guarantor to any guaranteed creditor pursuant to the Optics Financing Arrangements and/or the Intercreditor Agreement, and vice versa. The proceeds of the enforcement of said guarantees will be distributed amongst the guaranteed creditors (including, without, limitation, the holders of the Optics Notes) in accordance with the provisions of the Intercreditor Agreement.

In order to comply with corporate law requirements on, *inter alia*, corporate benefit and financial assistance, the maximum amount that a guarantor may be required to pay in respect of its obligations as guarantor under the Indenture, the Optics Financing Arrangements and the Intercreditor Agreement will be subject to limitations.

Accordingly, the holders of the Optics Notes will be able to recover limited amounts under the relevant guarantee and security. In particular, the amount recoverable from an Italian guarantor under a guarantee will not exceed the aggregate amount of any intercompany loan advanced to it by any obligor and outstanding at the time of the enforcement of such guarantee. No Italian guarantor shall moreover be liable for any amount in excess of the amount that such Italian guarantor is entitled to set-off against its claims of recourse or subrogation (*regresso or surrogazione*) arising as a result of the enforcement of the relevant guarantee.

The proceeds of the enforcement of said guarantees will be distributed amongst the guaranteed creditors (including, without, limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement.

Trust

The Optics Notes Collateral will be created and perfected in favor of the Optics Notes Security Agent acting in its capacity as representative (*rappresentante*) of the holders of the Optics Notes pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favor of a representative (*rappresentante*) of the holders of the Optics Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf the holders of the Optics Notes, as applicable which are neither directly parties to the Optics Notes Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

In addition, as the holders of the Optics Notes, as applicable are not direct parties to the Indenture, there is the risk that the appointment of the Optics Notes Security Agent in its capacity as representative (*rappresentante*) of the holders of the Optics Notes pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code is not upheld by an Italian court and that therefore an Italian court may determine that the holders of the Optics Notes at the time of enforcement are not secured by the security under the Security Documents and/or that the *rappresentante* cannot exercise the rights and enforce the Optics Notes Collateral also in the name and on behalf of the holders of the Optics Notes, as applicable. In addition, the provisions and the subject matter of paragraph 3 of Article 2414-bis, paragraph 3, of the Italian Civil Code are untested by Italian Courts and, therefore, even if the appointment of the *rappresentante* is upheld by an Italian Court, it cannot be excluded that an Italian Court may take a different view and interpretation and determine that, where the Optics Notes Collateral is only granted in favor of the *rappresentante*, the holders of the Optics Notes, as applicable at the time of enforcement are not secured by the Optics Notes Collateral and/or cannot enforce that Optics Notes Collateral.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of the holders of the Optics Notes, as applicable pursuant to Articles 2417 and 2418 of the Italian Civil Code may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

Moreover, it is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected (i) in favor of creditors (such as the holders of the Optics Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries and (ii) in favor of a "trustee," since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as trustee under security interests granted over Italian assets is uncertain under Italian law.

Certain further considerations in relation to Italian undercapitalization rules

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("**undercapitalization**"). Pursuant to Article 164 of the Italian Insolvency Code, any payment made by the borrower with respect to any such loan within one year prior to a judicial winding-up declaration are ineffective by operation of law. The new provision replaced Article 2467, paragraph 1, of the Italian Civil Code, according to which such payments would be required to be returned to the borrower. For a more detailed explanation of the terms, conditions and consequences of claw back actions in an insolvency scenario, see "*Certain insolvency considerations and limitations on the validity and enforceability of the Guarantees and the Optics Notes Collateral—Italian Insolvency Code" and "Hardening Period/Clawback and Fraudulent Transfer*" below.

In addition to that, Article 292, paragraph 1, of the Italian Insolvency Code sets forth that claims of entities exercising management and coordination powers *vis-à-vis* the entities subject to such powers and claims of the entities subject to such powers *vis-à-vis* the entities exercising them deriving from loans granted after the filing of petitions resulting in the opening of judicial winding up of in the year before, are subordinated.

The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date hereof, there are several court precedents interpreting the provisions summarized above. Some of such precedents have held that Article 2467 of the Italian Civil Code also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are a *società per azioni*.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the issuer's relationship with Italian subsidiaries under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan or note be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any intercompany loan or note granted to the Italian subsidiaries, which could have a material adverse effect on the issuer's ability to meet its payment obligations under the Notes, as applicable.

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes is subordinated by operation of law, the ability of the holders of the Optics Notes, as applicable to recover under any Optics Notes Collateral created over such intercompany loans or notes or any guarantees and/or security interest granted by such Italian subsidiaries may be impaired or restricted.

Certain Luxembourg Insolvency Law Considerations

The Issuer of the EUR TIF New Notes is a Luxembourg company. Therefore, the following Section addresses certain Luxembourg insolvency considerations which are relevant for the New Notes. As such, references to the "Issuer" should be read as references to TIF and references to "Notes" should be read as references to the "EUR TIF New Notes."

Pursuant to Luxembourg insolvency laws, your ability to receive payment from the Issuer under the Notes may be more limited than would be the case in a liquidation or bankruptcy proceeding in other jurisdictions. The Luxembourg law of August 7, 2023 on business preservation and modernization of insolvency law and transposing Directive

2019/1023 on restructuring and insolvency proceedings, modernized the Luxembourg legal framework for insolvency and restructuring procedures. Under Luxembourg law, insolvency proceedings may be initiated against a company incorporated in Luxembourg having its COMI (as that term is used in Article 3(1) of the Recast EU Insolvency Regulation) or an establishment in Luxembourg (in the latter case assuming that the center of main interests is located in a jurisdiction where the Recast EU Insolvency Regulation is applicable) as bankruptcy proceedings (*faillite*), the opening of which may be requested by the company, by any of its creditors by the courts *ex officio* or by the public prosecutor. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if a Luxembourg company (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). The main effect of such proceedings are the sale of the assets and allocation of the proceeds of such sale between creditors taking into account their rank of privilege, as well as the suspension of all measures of enforcement against the company, subject to certain limited exceptions under the applicable provision of the Luxembourg law of August 5, 2005 on financial collateral arrangements, as amended (the "**Financial Collateral Law 2005**"), for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a Luxembourg company that ceases its payments (i.e. is unable to pay its debts as they fall due with normal means of payment) must within a month of them having become aware of the company's cessation of payments, file a petition for bankruptcy (*faillite*) with the court clerk of the district court of the company's registered office. If the managers or directors fail to comply with such provision they may be held liable towards the company or any third-parties on the basis of principles of managers' and directors' liability for any loss suffered.

In addition to this proceeding, your ability to receive payment under the Notes issued by the Issuer may be affected by a decision of a Luxembourg court to grant a stay on payments (*sursis de paiement*) or to put a Luxembourg company into judicial liquidation (*liquidation judiciaire*) or judicial reorganization (*réorganisation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg commercial code or of the Luxembourg Companies Law. The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Judicial reorganization, which includes in-court amicable arrangement (*réorganisation judiciaire par accord amiable*), in-court collective arrangement (*réorganisation judiciaire par accord collectif*), court-ordered transfer (*réorganisation judiciaire par transfert par décision de justice*), may be pursued for three different objectives (which may vary for different segments of the business and may change during the course of the procedure), specifically (i) obtaining a standstill during a period of minimum four months to enable an out-of-court arrangement to be reached with creditors. During the standstill, no enforcement of the debtor's claims may be pursued or exercised against its assets, no seizure may be carried out and the debtor may suspend the performance of his contractual obligations if the restructuring so requires (except for employment contracts and contracts for successive performance), (ii) obtaining the agreement of creditors on a restructuring plan for a maximum period of five years, which may include a maximum 24 month stay on payment. The plan will have to be approved by a court or (iii) enabling any part of the assets or business of the distressed debtor to be transferred by a court-appointed agent who will organize and complete the transfer of the assets or business.

Out-of-court arrangement (*accord amiable*) may be proposed by a debtor to its creditors (at least two of them) with the purpose of reorganizing all or part of its assets or activities. This arrangement executed outside of legal proceedings needs to be approved by a court.

Liability of the Issuer in respect of the relevant Notes will, in the event of a liquidation of the company following bankruptcy, judicial liquidation or judicial reorganization proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and any claims that are preferred under Luxembourg law. Preferential claims under Luxembourg law include, among others:

- remuneration owed to employees (last six months' wages amounting to a maximum of six times the minimum social salary);
- employees' contributions to social security;
- certain amounts owed to the Luxembourg Inland Revenue;

- employer’s contribution to social security;
- landlord, pledgor not under the Financial Collateral Law 2005; and
- value-added tax and other taxes and duties owed to Luxembourg Customs and Excise.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured and unpreferred creditors (except after enforcement and to the extent a surplus is realized).

Impact of Luxembourg insolvency proceedings on transactions

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended.

Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings. However, during such controlled management proceedings, a notice of default may still be served.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the Issuer during the preference period (*période suspecte*) which is a maximum of six months preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to Article 445 of the Luxembourg code of commerce (*Code de commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts save in respect of financial collateral arrangements within the meaning of the Financial Collateral Law 2005; payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; and the sale of assets without consideration or with substantially inadequate consideration) entered into during the preference period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;

- pursuant to Article 446 of the Luxembourg code of commerce, payments made for matured debts as well as other transactions concluded for consideration during the preference period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party’s cessation of payments; and

- pursuant to Article 448 of the Luxembourg code of commerce and Article 1167 of the Luxembourg civil code (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in the automatic termination of contracts except for employment agreements and powers of attorney. The contracts, therefore, subsist after the bankruptcy order. However, the bankruptcy receiver may choose to terminate certain contracts so as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on the Issuer’s business and assets of the Issuer’s obligations under the Notes.

Finally, international aspects of Luxembourg bankruptcy may be subject to the Recast EU Insolvency Regulation. In particular, rights in rem over assets located in another jurisdiction where the Recast EU Insolvency Regulation applies will not be affected by the opening of insolvency proceedings, without prejudice however to the applicability of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of Article 24 of the Financial Collateral Law 2005 and Article 16 of the Recast EU Insolvency Regulation).

SUMMARY OF PROVISIONS RELATING TO THE EUR TIF NEW NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

In this Section references to "Notes" shall refer to the "EUR TIF New Notes"

The Notes will initially be in the form of a Temporary Global Note which will be deposited on or around the issue date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in new global Note ("**NGN**") form. On June 13, 2006, the European Central Bank (the "ECB") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ECB credit operations" of the central banking system for the Euro (the "Eurosystem"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of June 30, 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after December 31, 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility – that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. As at the date of this Exchange Offer Memorandum, one of the Eurosystem eligibility criteria for debt securities is an investment grade rating and accordingly as no credit rating is currently assigned to the Notes (or to the Issuer), the Notes are not currently expected to satisfy the requirements for Eurosystem eligibility.

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the EUR Settlement Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the New Notes Paying Agent if Euroclear or Clearstream, Luxembourg or any alternative clearing system through which the Notes are held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an

aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the New Notes Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of any New Notes Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days: In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note Condition 7(g) (Payments on business days) shall not apply, and all such payments shall be made on a day on which the T2 System is open.

Redemption of the option of the Issuer: In order to exercise the option contained in Condition 6(b) (*Redemption for tax reasons*) the Issuer shall give notice to the Noteholders, the relevant clearing system and to the New Notes Trustee (or procure that such notice is given on its behalf) within the time limits set out in and containing the information required by that condition. Following the exercise of any option, the Issuer shall procure that the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note shall be reduced accordingly.

Notices: Notwithstanding Condition 16 (Notices), while all the Notes are represented by the Permanent Global Note (or, as the case may be, by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or, as the case may be, the Permanent Global Note and/or the Temporary Global Note are) held on behalf of Euroclear or Clearstream, Luxembourg or an alternative clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg or such alternative and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (Notices) on the date of delivery to Euroclear and Clearstream, Luxembourg except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published on the website of the Luxembourg Stock Exchange (www.luxse.com/).

SUMMARY OF PROVISIONS RELATING TO THE EUR OPTICS (TIF) NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

References to the "Notes", "Trust Deed" and "Trustee" in the section below should be construed as references to the "EUR Optics (TIF) Notes", the "EUR Optics Notes Trust Deed" and the "Optics Notes Trustee", respectively. References to the "Paying Agent" shall mean the "Optics Notes Paying Agent", and to the "Registrar" and "Transfer Agent" shall mean the "Optics Notes Transfer Agent and Registrar".

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Conditions of the Notes while the Notes are represented by the Global Notes.

1. Accountholders and Payments

The Global Certificate will be registered in the name of a nominee (the "**Registered Holder**") for a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and may be delivered on or prior to the original issue date of the Notes.

Upon the registration of the Global Certificate in the name of any nominee of a Common Depositary for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each holder with a nominal amount of Notes equal to the nominal amount to which it is entitled.

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note represented by a Global Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by Optics to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). Such persons shall have no claim directly against Optics in respect of payments due on the Notes for so long as the Notes are represented by the Global Certificate and such obligations of Optics will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

2. Exchange

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by the Global Certificate pursuant to the Conditions may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) upon or following any failure to pay principal in respect of any Notes when it is due and payable; or

(iii) with the consent of Optics,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the Registered Holder has given the Paying Agent or the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3. Notices

For so long as all of the Notes are represented by the Global Certificate and such Global Certificate is 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 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 Notes held by a Noteholder are represented by a Global Certificate, 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 Paying Agent and the applicable clearing system may approve for this purpose.

4. Interest Calculation

For so long as Notes are represented by the Global Certifcate, interest payable to the bearer of a Global Certificate will be calculated by applying the applicable rate of interest per annum to the principal amount of the Global Certificate 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. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards.

5. Prescription

Claims against Optics in respect of principal and interest on the Notes represented by a Global Certificate will be prescribed after five (5) years (in the case of principal) and three (3) years (in the case of interest) from the Relevant Date (as defined in Condition 7 (Taxation)).

6. Cancellation

Cancellation of any Note represented by a Global Certificate and required by the Conditions of the Notes to be cancelled following its redemption or purchase will be effected by or on behalf of Registrar or relevant Transfer Agent by enfacing the reduction in the principal amount on the relevant Global Certificate and recording details of such cancellation in the Register.

7. Put Option

For so long as the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholder to redeem the Notes on the occurrence of a change of control ("**Put Option**") may be exercised by an Accountholder giving notice to the Registrar or Paying Agent in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg (which may include notice being given on its instructions by Euroclear or Clearstream, Luxembourg for them to the Registrar or Paying Transfer Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Certificate to the Paying Agent for notation accordingly within the time limits set forth in the Put Option condition.

8. Redemption at the Option of Optics

For so long as all of a series of the applicable Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of such series of Notes to be redeemed will be required under Condition "Provisions Relating to Partial Redemption" in the event of a partial redemption by Optics. Such partial redemption shall be performed via pool factor in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg.

9. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Certificate are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate.

10. Record Date

In the case of Notes represented by a Global Certificate, the Record Date shall be the close of business on the Clearing System Business Day immediately prior to the due date for payment. "**Clearing System Business Day**" means Monday to Friday (inclusive) except December 25 and January 1.

LEGAL MATTERS

Certain legal matters in connection with this EUR TIF Exchange Offer will be passed upon for the Issuer by Latham & Watkins (London) LLP, as to matters of English & Wales law and Italian law and by Gatti Pavesi Bianchi Ludovici Studio Legale Associato, as to matters of Italian tax law.

Certain legal matters in connection with this EUR TIF Exchange Offer will be passed upon for the Dealer Managers by Linklaters LLP, as to matters of English & Wales law and Italian law.

INDEPENDENT AUDITORS

The TIM Audited Consolidated Financial Statements and NetCo Audited Combined Carve-out Financial Information 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 translations of their audit reports included elsewhere in this Exchange Offer Memorandum.

EY S.p.A.'s registered office is Via Meravigli 12, 20123 Milan, Italy, and it is registered under No. 70945 in the Register of Accountancy Auditors (Registro dei Revisori Contabili), in compliance with the provisions of the Legislative Decree January 27, 2010, No. 39. EY S.p.A., is also a member of ASSIREVI (the Italian association of auditing firms).

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Each purchaser of the Notes from the Dealer Managers will be furnished a copy of this Exchange Offer Memorandum and any related amendments or supplements to this Exchange Offer Memorandum. Each person receiving this Exchange Offer Memorandum and any related amendments or supplements to this Exchange Offer Memorandum acknowledges that:

(a) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(b) such person has not relied on the Dealer Managers or any person affiliated with any of the Dealer Managers in connection with its investigation of the accuracy of such information or its investment decision; and

(c) except as provided pursuant to paragraph (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby, other than those contained herein, and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer or the Dealer Managers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which the Issuer is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act, upon the written request of any such holder or beneficial owner. Any such request with respect to the Notes should be directed to the Issuer and Optics respective addresses.

The Issuer is currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act.

So long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the Stock Exchange in Luxembourg.

The content available on the TIM Group's website does not form part of, nor is incorporated by reference into, this Exchange Offer Memorandum.

THE DEALER MANAGERS

The Issuer has retained Banco Santander, S.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, J.P. Morgan SE, MUFG Securities (Europe) N.V., Société Générale and UniCredit Bank GmbH to act as dealer managers in connection with the USD Initial Exchange (the "**Dealer Managers**"). The Issuer has agreed to pay the Dealer Managers a fee for their services in connection with the EUR Initial Exchange and the Issuer will also reimburse the Dealer Managers for certain reasonable expenses. The obligations of the Dealer Managers to perform such functions are subject to certain conditions and the Issuer has agreed to indemnify the Dealer Managers against certain liabilities, including liabilities under the federal securities laws.

From time to time, one or more of the Dealer Managers and their affiliates have provided, and in the future the Dealer Managers or their affiliates may provide, investment banking, commercial banking and advisory and other services for the Issuer, TIM, Optics and their respective affiliates for customary compensation. In the ordinary course of their business, the Dealer Managers or their affiliates may at any time hold long or short positions, and may trade for their own accounts or the accounts of customers, in debt or equity securities, or other financial instruments (including bank loans), of the Issuer, TIM, Optics and their respective affiliates, including any of the EUR TIF Original Notes and the EUR TIF New Notes or the EUR Optics (TIF) Notes, and, to the extent that such Dealer Managers or their affiliates own EUR TIF Original Notes during the EUR Initial Exchange, they may tender such EUR TIF Original Notes pursuant to the terms of the Exchange Offers. The Dealer Managers and their affiliates 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.

If the Dealer Managers or any of their affiliates has a lending relationship with the Issuer, TIM, Optics or their respective affiliates, then that certain Dealer Manager or its affiliates may routinely hedge their credit exposure to the Issuer, TIM, Optics or their respective affiliates, consistent with their customary risk management policies. Typically, the Dealer Managers and their affiliates 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, TIM's or Optics' securities, including potentially the EUR TIF Original Notes, the EUR TIF New Notes or the EUR Optics (TIF) Notes, as applicable. Any such credit default swaps or short positions could adversely affect future trading prices of the EUR TIF Original Notes, the EUR TIF New Notes or the EUR Optics (TIF) Notes, as applicable.

Certain of the Dealer Managers and/or certain of their affiliates have acted as managers in offerings of the Issuer and its affiliates and are lenders and/or agents under certain debt facilities of the Issuer, TIM and Optics, including the TIM Term Facility Agreement, Senior Facilities Agreement, the Senior Bridge Facility Agreement and the Intercreditor Agreement and, in connection therewith, have received customary fees and commissions.

The Dealer Managers do not assume any responsibility for the accuracy or completeness of the information contained in this Exchange Offer Memorandum or for any failure to disclose events that may have occurred and may affect the significance or accuracy of such information.

LISTING AND GENERAL INFORMATION

In this Section references to Issuer shall refer to TIF, references to Notes shall refer to the EUR Optics (TIF) Notes, references to Trust Deed to the EUR Optics Notes Trust Deed, to the Paying Agent to the Optics Notes Paying Agent.

General Information

Telecom Italia Finance

Telecom Italia Finance is a public limited liability company (*société anonyme*) organised under the laws of the Grand Duchy of Luxembourg, having its registered office in 12 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (Registre de Commerce et des Sociétés) under number B76448 (the "**Issuer**").

The Issuer was incorporated on June 2, 2000 for an unlimited duration in the Grand-Duchy of Luxembourg and is a 100 per cent. owned subsidiary of TIM. As of December 31, 2023, The Issuer has the following subsidiary: TIM Brasil Servicos & Participações S.A., 100% owned by the Issuer.

The Issuer's principal purposes as a subsidiary of TIM are to raise funds and to act as sub-holding for the TIM Group. The Issuer's articles of incorporation were published in the no. 773 on October 21, 2000 Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations (the "**Articles of Incorporation**"). The Articles of Incorporation have been modified several times. The latest modifications to the Articles of Incorporation of the Issuer were made on December 15, 2017 and were published in the Recueil Electronique des Sociétés et Associations under reference No. RESA 2018_013.334 on January 16, 2018.

The corporate object of the Issuer, as set forth in Article 3 of its Articles of Incorporation, is to provide financial assistance to TIM, as well as to companies in which TIM has a direct or indirect interest. Such assistance includes the provision of loans and the granting of guarantees or securities of any kind or in any form. The object of the Issuer is further to provide domiciliation and administration services to companies forming part of the TIM Group and to exercise any activity in relation thereto as provided in the Law No. 154 of May 31, 1999 on the domiciliation of companies, as amended. The Issuer may acquire and hold interests in Luxembourg and/or in foreign undertakings, as well as the administration, development and management of such holdings. The Issuer may also use its funds to invest in real estate and in intellectual property rights of any kind or in any form. The Issuer may participate in the creation and development of any other companies and entities and provide them with financial assistance of any kind or in any form. The Issuer may borrow in any form whatsoever and may issue bonds or notes. The Issuer may carry out any commercial, industrial or financial transaction which it may deem useful in the development and accomplishment of its purposes.

There are no additional recent business activities carried out by the Issuer.

Application to Trading and Listing

Application has been made for the EUR TIF New Notes and the EUR Optics (TIF) Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the professional segment of the Euro MTF Market, in accordance with the rules and regulations of such exchange. This Exchange Offer Memorandum constitutes a prospectus for the purpose of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019.

Listing Information

For so long as the EUR TIF New Notes and the Optics (TIF) Notes are outstanding and listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents may be inspected and obtained free of charge in electronic form at the specified office of TIM, Optics as the case may be, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the organizational documents of the Issuer and Optics, as applicable;

- the bylaws of the Issuer, TIM Guarantor and Optics, as applicable;
- the Financial Statements included in this Exchange Offer Memorandum; and
- the EUR TIF New Notes Agency Agreement, the EUR Optics Notes Trust Deed and the EUR Optics Agency agreement; and
- the EUR TIF New Notes Deed of Guarantee.

A copy of the Exchange Offer Memorandum will be available on the website of the Stock Exchange: luxse.com.

BNY Mellon Corporate Trustee Services Limited has been appointed as the New Notes Trustee and The Bank of New York Mellon, London Branch has been appointed as New Notes Agent, to make payments on the EUR New Notes. Citibank, N.A., London Branch has been appointed as Optics Notes Trustee and Optics Notes Paying Agent, to make payments on the EUR Optics Notes. Citibank Europe plc has been appointed as Optics Notes Transfer Agent and Registrar.

TIF and Optics reserve the right to vary such appointments in accordance with the terms of the EUR TIF New Notes Agency Agreement or EUR Optics Notes Trust Deed, as the case may be.

Eurosystem Eligibility

The EUR TIF New Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the EUR TIF New Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue of the EUR TIF New Notes or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

Clearing Information

The EUR TIF New Notes and EUR Optics Notes sold in this EUR TIF Exchange Offer have been accepted for clearance through the facilities of Euroclear and Clearstream, Luxembourg.

The EUR TIF New Notes has been assigned common code 279888049 and ISIN XS2798880493.

The EUR Optics (TIF) Notes has been assigned common code 280449750 and ISIN XS2804497506.

Foreign Languages Used in this Exchange Offer Memorandum

The language of this Exchange Offer 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.

Material Change

There has been no material change in the prospects and the financial position of the Issuer and TIM Guarantor since December 31, 2023.

Financial Information

The Issuer is a wholly owned subsidiary of TIM Guarantor and is included in the TIM Audited Consolidated Financial Statements. Non-disclosure of the Issuer's financial statements would not be likely to mislead investors with regard to facts and circumstances that are essential for assessing the EUR TIF New Notes.

Legal Information

LEI

The Legal Entity Identifier (LEI) of TIM is 549300W384M3RI3VXU42.

The Legal Entity Identifier (LEI) of TIF is 549300O482B6CBF38D50.

The Legal Entity Identifier (LEI) of Optics is 254900QZ5RQ7MPFWE741.

The issuance of the EUR TIF New Notes was authorized by a resolution of the Board of Directors of TIF passed on March 20, 2024.

The issuance of the Optics Notes was authorized by a resolution of the Board of Directors (*consiglio di amministrazione*) of Optics passed on April 9, 2024.

APPENDIX A

TERMS AND CONDITIONS OF THE EUR TIF NEW NOTES

The following is the text of the terms and conditions which (subject to modification) will be endorsed on each Note in definitive form (if issued).

The €[●] 7.75 per cent. Notes due January 24, 2033 (the "**Notes**", which expression shall in these terms and conditions (the "**Conditions**"), unless the context otherwise requires, include any further notes issued pursuant to Condition 16 and forming a single series with the Notes) issued by Telecom Italia Finance, a public limited liability company (*société anonyme*) organized under the laws of Luxembourg, having its registered office in 12 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés de Luxembourg)* under number B76448 (the "**Issuer**") are subject to, and have the benefit of, a fiscal agency agreement dated [●] 2024 (as amended or supplemented from time to time, the "**Fiscal Agency Agreement**") between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch as fiscal agent (the "**Fiscal Agent**" which expression shall include all persons for the time being acting as fiscal agent under the Fiscal Agency Agreement) and any other paying agents named therein (the "**Paying Agents**", which expression shall include all persons for the time being acting as paying agents under the Fiscal Agency Agreement). The Notes have the benefit of a deed of guarantee dated [●] 2024 (as amended or supplemented from time to time, the "**Deed of Guarantee**") executed by TIM S.p.A. (the "**Guarantor**") relating to the Notes. The Noteholders and Couponholders (each as defined below) are entitled to the benefit of a deed of covenant dated [●] 2024 (as amended or supplemented from time to time, the "**Deed of Covenant**" made by the Issuer.

These Conditions include summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement and the Deed of Guarantee. The Fiscal Agency Agreement includes the form of the Notes and the coupons relating to them (the "**Coupons**"). Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified offices of the Paying Agents indicated in the Fiscal Agency Agreement. The holders of the Notes (the "**Noteholders**") and the holders of the Coupons (whether or not attached to the relevant Notes) (the "**Couponholders**") are deemed to have notice of all the provisions of the Fiscal Agency Agreement and the Deed of Covenant applicable to them. The issuance of the Notes was authorised by a resolution of the Board of Directors' meeting of the Issuer passed on March 20, 2024.

1 Definitions and Interpretation

(a) Definitions: In these Conditions the following expressions have the following meanings:

"**Business Day**" means a TARGET Day and a day on which commercial banks and foreign exchange markets settle payments generally in London;

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

"**Guarantee of the Notes**" means the guarantee of the Notes given by the Guarantor in the Deed of Guarantee;

"**Indebtedness**" means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised;

"**Material Subsidiary**" means a Subsidiary of the Issuer or (as the case may be) the Guarantor whose consolidated net revenues or consolidated net assets as shown on its most recent audited consolidated financial statements represent 10 per cent. or more of the consolidated net revenues or consolidated net assets, respectively, of the Issuer or (as the case may be) the Guarantor, as shown in its most recent audited consolidated financial statements;

"**Payment Business Day**" means any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a TARGET Day;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency *provided, however, that* in relation to euro, it means the principal financial centre of such Member State as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Indebtedness**" means any Indebtedness (excluding, for the avoidance of any doubt, any bank loans) which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, to effect the exchange or substitution

of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other Person formed or to be formed, to change the currency of any payment under the Notes, to modify any provision of the Deed of Guarantee or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction but excluding any such security interest over the property of any Person incorporated or merged into or acquired by the Issuer or (as the case may be) the Guarantor (including, for the avoidance of doubt, any property of any Subsidiary of such a Person) after January 1, 1999 and existing immediately prior to such incorporation, merger or acquisition;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Subsidiary**" means in relation to any Person (in this paragraph, the "**first Person**") at any particular time, any other Person (in this paragraph, the "**second Person**"):

(A) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital or contract, the power to appoint or remove a majority of the members of the governing body of the second Person or otherwise; or

(B) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system;

"**TARGET Day**" means any day on which T2 is open for the settlement of payments in euro;

(b) Interpretation: In these Conditions:

(i) any reference to principal shall be deemed to include any additional amounts in respect of principal which may be payable under Condition 8 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 8 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions; and

(iii) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement.

2 Form, Denomination and Title

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.

Title to the Notes and Coupons will pass by delivery. The Issuer, the Guarantor and any Paying Agent 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 overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

3 Status and Guarantee

(a) *Status of the Notes*: The Notes constitute unconditional, unsecured and unsubordinated obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Guarantee of the Notes*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

4 Negative Pledge

So long as any Note remains outstanding, the Issuer and the Guarantor shall not, and shall procure that none of their respective Material Subsidiaries shall, create or permit to subsist any Security Interest upon the whole or any part of their present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

5 Interest

(i) *Interest Rate and Interest Payment Dates*: The Notes bear interest on their outstanding principal amount from (and including) [●] 2024 at the rate of 7.75 per cent. per annum, payable annually in arrear on January 24 in each year (each an "**Interest Payment Date**") up to (and including) the Maturity Date, except that the first payment of interest, to be made on January 24, 2025 (the "**First Interest Payment Date**"), will be in respect of the period from and including [●] 2024 to but excluding the First Interest Payment Date and will amount to €[●] per Calculation Amount. The amount of interest payable shall be €77.50 per Calculation Amount on each subsequent Interest Payment Date.

Save as provided above, the day-count fraction will be calculated on the following basis:

(a) if the Accrual Period is equal to or shorter than the Determination Period during which it falls, the day-count fraction will be the number of days in the Accrual Period divided by

the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(b) if the Accrual Period is longer than one Determination Period, the day-count fraction will be the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Accrual Period**" means the relevant period for which interest is to be calculated (from and including the first such day to but excluding the last); and

"**Determination Period**" means the period from and including January 24 in any year to but excluding the next January 24.

In these Conditions, the period beginning on and including [●] 2024[1] and ending on but excluding the First Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per €1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above, be equal to the product of 7.75 per cent., the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(ii) *Accrual of interest*: Each Note will cease to bear interest from (and excluding) the due date for final redemption of such Note unless, upon due presentation, payment of principal in respect of such Note is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Interest*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to but excluding that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to (but excluding) such seventh day (except to the extent that there is any subsequent default in payment).

6 Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount (the "**Final Redemption Amount**") on January 24, 2033 (the "**Maturity Date**"), subject as provided in Condition 7 (*Payments*).

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[1] **Note**: To be the issue date.

(b) *Redemption for tax 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 Noteholders and the Guarantor (which notice shall be irrevocable) (with a copy to the Fiscal Agent and the Paying Agent), at their principal amount, together with interest accrued (if any) to (but excluding) the date fixed for redemption, if:

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Luxembourg or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a ruling by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) the Guarantor has or (if a demand was made under the relevant Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a ruling by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, *that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b) (*Redemption for tax reasons*), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) 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 (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. The Fiscal Agent shall be entitled to rely on and accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 6(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b) (*Redemption for tax reasons*).

(c) *No other redemption*: Neither the Issuer nor the Guarantor shall be entitled to redeem the Notes otherwise than as provided in Conditions 6(a) (*Scheduled Redemption*) to (b) above.

(d) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price and such Notes may be held, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent for

cancellation (provided that, if the Notes are to be cancelled, they are purchased together with all unmatured Coupons relating to them).

(e) *Cancellation*: All Notes redeemed and any unmatured Coupons attached to or surrendered with them shall be cancelled and all Notes so cancelled and any Notes cancelled pursuant to Condition 6(d) (*Purchase*) above (together with all unmatured Coupons cancelled with them) may not be reissued or resold.

7 Payments

(a) *Principal*: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

(b) *Interest*: Payments of interest shall, subject to Condition 7(h) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 7(a) (*Principal*) above.

(c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the principal and interest on the Notes in euro when due, (ii) payment of the full amount of such principal or interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons*: If a Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided*, *however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "*Relevant Coupons*") being equal to the amount of principal due for payment; *provided, however*, *that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however*, *that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 7(a) (*Principal*) against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*: On the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 9 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day, the holder shall not be entitled to payment of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 7(c) (*Payments in New York City*)).

(i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

8 Taxation

(a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction (as defined below) or (in the case of payments made under the Guarantee of the Notes) the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall

pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable:

(i) in respect of any Note or Coupon presented for payment by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Relevant Jurisdiction or (in the case of payments made under the Guarantee of the Notes) the Republic of Italy other than the mere holding of such Note or Coupon; or

(ii) in respect of any Note or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union; or

(iii) in respect of any Note or Coupon presented for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days;

(iv) 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 or (in the case of payments made under the Guarantee of the Notes) the Republic of Italy to the relevant taxing authority or making any other claim or filing, unless such holder is not entitled to produce such declaration or other evidence or to make such other claim or filing; or

(v) in respect of any Note or Coupon presented for payment by or on behalf of a holder, if such tax deduction required in respect of the Luxembourg law of December 23, 2005, as amended, introducing a 20% withholding tax in Luxembourg as regards interest payments, with respect to Notes listed and admitted to trading on a regulated market, to or for the benefit of beneficial owners who are Luxembourg resident individuals.

(b) *Relevant jurisdiction*: Each reference in this Condition 8 to the "*Relevant Jurisdiction*" shall mean Luxembourg, or if the Issuer becomes subject at any time to any taxing jurisdiction other than Luxembourg, Luxembourg and/or such other jurisdiction.

If the Guarantor becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, the Republic of Italy and/or such other jurisdiction, each reference in this Condition 8 to the Republic of Italy shall be construed as a reference to the Republic of Italy and/or such other jurisdiction.

9 Events of Default

If any of the following events occurs and is continuing:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven Business Days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer or (as the case may be) the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Guarantee of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and (as the case may be) the Guarantor by any Noteholder, has been delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or

(c) *Cross-default of Issuer*, *Guarantor or Subsidiary*:

(i) any Indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or within any originally applicable grace period (as the case may be);

(ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or any of their respective Subsidiaries or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or

(iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or subparagraph (ii) above and/or the amount payable under any Guarantee referred to in subparagraph (iii) above individually or in the aggregate exceeds €25,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law is rendered against the Issuer or the Guarantor or any of their respective Subsidiaries for the payment of an aggregate amount exceeding the greater of (i) €25,000,000 (or its equivalent in any other currency or currencies) or (ii) an amount equal to five per cent. of the net consolidated assets of (in the case of the Issuer or any of its Subsidiaries), the Issuer or (in the case of the Guarantor or any of its Subsidiaries) the Guarantor, in each case, as stated in its most recent audited consolidated financial statements and any such judgment(s) or orders continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party takes possession of or becomes entitled to enforce its security over, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries; or

(f) *Insolvency*:

(i) if any of the following occurs with respect to the Issuer or any of its Material Subsidiaries:

(A) the entry of a decree, judgment or order by a court having jurisdiction adjudging it bankrupt, or approving a petition seeking moratorium of payments, voluntary or judicial liquidation (*liquidation volontaire ou judiciaire)*, reorganisation (including judicial reorganisation and reorganisation by amicable agreement), reprieve from payment (*sursis de paiement)*, arrangement, adjustment or composition of or in respect of it under any applicable law, or adjudging that it is in a situation requiring special measures in the interests of all creditors or any subsequent amendment,

modification or re-enactment thereof or appointing a receiver, liquidator, administrator, assignee (or other similar official) in relation to it or of any substantial part of its property, or ordering the winding up, dissolution or liquidation of it or its affairs; or

(B) an involuntary case of proceeding is initiated against or a voluntary case or proceeding is initiated by the Issuer or any of its Material Subsidiaries under any applicable insolvency law, including presentation to the court of an application for bankruptcy, for an administration, voluntary or judicial liquidation (*liquidation volontaire ou judiciaire),* dissolution order or reorganisation (including judicial reorganisation and reorganisation by amicable agreement), reprieve from payment (*sursis de paiement*) or seeking the appointment of a receiver, administrator, liquidator or other similar official in relation to the Issuer or any of its Material Subsidiaries or to the whole or any substantial part of the undertaking or assets of the Issuer or any of its Material Subsidiaries or the competent court takes any action to dissolve the Issuer or any of its Material Subsidiaries, or a receiver, administrator, liquidator or other similar official is appointed in relation to the Issuer or any of its Material Subsidiaries or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or any of its Material Subsidiaries or an encumbrancer takes possession or execution or other process is levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer or any of its Material Subsidiaries or if the Issuer or any of its Material Subsidiaries initiates or consents to any case or judicial proceeding relating to itself or its assets under any applicable insolvency law, makes a conveyance or assignment for the benefit of its creditors generally, admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any such action;

(C) being in state of cessation of payments (*cessation de paiements*) or having lost its commercial creditworthiness (*ébranlement de credit*); or

(ii) if any of the following occurs with respect to the Guarantor or any of its Material Subsidiaries:

(A) it is declared by a court to be insolvent, or petitions a court to be declared insolvent or admits in writing that it is unable to pay its debts as they fall due;

(B) an administrator, receiver or liquidator of it or the whole or a substantial part of its undertaking, assets and revenues is appointed (or application for any such appointment is made);

(C) it takes any action for the deferral, rescheduling or other readjustment of all or a substantial part of its Indebtedness or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it; or

(D) it ceases to carry on its business under its corporate objects from time to time.

(g) *Winding up etc*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Material Subsidiaries (otherwise than, in the case of a Material Subsidiary of the Issuer or (as the case may be) a Material Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(h) *Analogous event*: any event occurs which under the laws of Luxembourg or (as the case may be) the Republic of Italy has an analogous effect to any of the events referred to in Conditions 9(d) (*Unsatisfied judgment*) to (g)(*Winding up etc*) above; or

(i) *Failure to take action etc*: any action, condition or thing at any time required to be taken, fulfilled or done in order (A) to enable the Issuer or (as the case may be) the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes and the Guarantee of the Notes, (B) to ensure that those obligations are legal, valid, binding and enforceable and (C) to make the Notes, the Coupons and the Deed of Guarantee admissible in evidence in the courts of Luxembourg or (as the case may be) the Republic of Italy is not taken, fulfilled or done; or

(j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Guarantee of the Notes, respectively; or

(k) *Guarantee not in force*: the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect;

then any Note may, by written notice addressed by the holder thereof to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest (if any) without further action or formality, *provided, however, that* Conditions 9(f) (*Insolvency*), (g)(*Winding up etc.*) and (h) (*Analogous event*) shall not include any such event which occurs for the purposes of or pursuant to an amalgamation, restructuring or reorganisation of a Material Subsidiary of the Issuer or (as the case may be) the Guarantor in respect of which two officers of the Issuer or (as the case may be) the Guarantor shall have certified to the Fiscal Agent that such Material Subsidiary shall be solvent immediately prior to, during and immediately after the consummation of such amalgamation, restructuring or reorganisation.

10 The Exchange

10.1.1 If, on or prior to the Longstop Date, the Acquisition is, or will be, consummated (such date the Acquisition is consummated, the "**Acquisition Closing Date**"), then upon written notice given by the Issuer to (a) the Fiscal Agent and the Paying Agent, (b) Optics and (c) the Noteholders in accordance with Condition 16 (Notices), in each case no less than five Business Days prior to the Acquisition Closing Date, on the Acquisition Closing Date the Issuer will procure that the Notes be mandatorily exchanged (such mandatory exchange, the "**EUR Acquisition Exchange**") for an equal aggregate principal amount of Notes due January 24, 2033 with terms and conditions substantially in the form annexed to the Agency Agreement (the "**EUR Optics January 2033 Notes**") to be issued by Optics, under a trust

deed to be entered into by and among Optics and Citibank, N.A., London Branch, as trustee on the Acquisition Closing Date, and accrued and unpaid interest, if any, up to (but excluding) the Acquisition Closing Date on the Notes will be payable on the Acquisition Closing Date.

The Notes will be delivered to the Paying Agent for cancellation in accordance with Condition 6(e) (*Cancellation*) upon consummation of the EUR Acquisition Exchange.

10.1.2 By receiving a Note, each Noteholder agrees to be bound by the EUR Acquisition Exchange and further each Noteholder also irrevocably authorises and directs the Paying Agent or any other person required to complete the EUR Acquisition Exchange to take all actions required to consummate the EUR Acquisition Exchange without the need for further consent or direction from them under these Conditions. No consent, direction or any other action will be required by the Noteholders for the EUR Acquisition Exchange.

For the avoidance doubt, if the Acquisition is not consummated by the Longstop Date, the EUR Acquisition Exchange will not occur, and these Conditions will continue to apply without modification.

In this Condition:

"**Acquisition**" means the acquisition by Optics of the entire stake of TIM in NetCo following the contribution of the NetCo Business to FiberCop;

"**Business Day**" means a day on which banks are open for business in London, New York, Luxembourg and Milan (which, for avoidance of doubt, shall not include Saturdays, Sundays and public holidays in any of these places);

"**FiberCop"** means FiberCop S.p.A.;

"**Longstop Date**" means October 15, 2024 or any further date agreed prior to the then current longstop date between TIM and Optics pursuant to the Transaction Agreement and announced to Noteholders promptly thereafter;

"**NetCo**" means FiberCop following the contribution of the NetCo Business to FiberCop;

"**NetCo Business**" means certain personnel, assets, rights, liabilities and agreements relating to the network assets and laying infrastructure currently held by TIM which, at closing of the Acquisition, will be contributed as a going concern (ramo d'azienda) to FiberCop;

"**Optics**" means Optics BidCo S.p.A.; and

"**Transaction Agreement**" means the share purchase agreement dated November 6, 2023, among inter alios, TIM as seller and Optics as purchaser in respect of the sale of TIM's entire stake in NetCo, after the contribution of the NetCo Business to FiberCop (as amended from time to time).

11 Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

12 Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then listed on any stock exchange which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such stock exchange), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Guarantor and/or relevant Paying Agent may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13 Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or successor Paying Agents; *provided, however, that*:

(a) the Issuer and the Guarantor shall at all times maintain a Fiscal Agent; and

(b) if and for so long as the Notes are listed on any stock exchange which requires the appointment of a Paying Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent having its Specified Office in the place required by the rules of such stock exchange.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 16 (Notices).

14 Meetings of Noteholders (or *Rappresentante Comune*); *Modification and Waiver*

(a) *Meetings of Noteholders:* Schedule 3 of the Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than one-fifth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Voters (as defined in the Agency Agreement) holding or representing one half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Voters being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Voters holding or representing not less than one half or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification*: The Notes, these Conditions and the Deed of Guarantee may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

15 Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date of, and the amount of, the first payment of interest) so as to form a single series with the Notes.

16 Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes which are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, if published on the website of the Luxembourg Stock Exchange: www.luxse.com. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

17 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "*first currency*") in which the same is payable under these Conditions or such order or judgment into another currency (the "*second currency*") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

18 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded downwards), (b) all United States Dollar and euro amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded down), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded downwards.

19 Substitution

(a) *Requirements for substitution*: The Issuer and the Guarantor may at any time require the substitution in place of the Issuer (or of the previous substitute under this Condition 19 (*Substitution*)) as the principal debtor in respect of the Notes of the Guarantor or any other Subsidiary of the Guarantor (such substitute, a "*New Issuer*") and/or the appointment of an additional guarantor of the Notes (an "*Additional Guarantor*") and/or the substitution in place of the Guarantor (or an Additional Guarantor) as guarantor of the Notes of any entity that may succeed to, or to which the Guarantor (or that Additional Guarantor) may transfer, all or substantially all of the assets and business of the Guarantor (or the Additional Guarantor) by operation of law, contract or otherwise (such substitute, a "*New Guarantor*"), provided that:

(i) in the case of a New Issuer, a deed poll and such other documents (if any) shall be executed by the New Issuer, the Guarantor, any Additional Guarantor and, to the extent necessary, the other parties to the Agency Agreement, as may be necessary to give full effect to the substitution and pursuant to which the New Issuer shall undertake in favour of the Noteholders and each Account Holder (as defined in the Deed of Covenant) to be bound by these Conditions, the Deed of Covenant and the Agency Agreement as principal debtor in respect of the Notes in place of the Issuer (or of the previous substitute under this Condition 19 (*Substitution*)) and pursuant to which the Guarantor and any Additional Guarantor shall guarantee in favour of each Noteholder and Account Holder the payment of all sums payable by the Issuer to the extent of, and in the terms specified in, the Deed of Guarantee, *mutatis mutandis*;

(ii) in the case of an Additional Guarantor, the Additional Guarantor shall guarantee in favour of each Noteholder and Account Holder the payment of all sums payable by the Issuer to the extent of, and in the terms specified in, the Deed of Guarantee, *mutatis mutandis*;

(iii) in the case of a New Guarantor, a deed poll and such other documents (if any) shall be executed by the New Guarantor and, to the extent necessary, the other parties to the Agency Agreement, as may be necessary to give full effect to the substitution and pursuant to which the New Guarantor shall guarantee in favour of each Noteholder and Account

Holder the payment of all sums payable by the Issuer to the extent of, and in the terms specified in, the Deed of Guarantee, *mutatis mutandis*;

(iv) in the case of a New Issuer, the Fiscal Agent shall have received legal opinions from independent legal advisers approved by it on which it can rely absolutely to the effect, *inter alia*, that (A) the New Issuer has obtained all governmental and regulatory approvals and consents necessary for its assumption of the obligations and liabilities as principal debtor under these Conditions, the Deed of Covenant and the Agency Agreement in place of the Issuer, the holders of the Notes and Coupons have rights against the New Issuer at least equivalent to the rights they have against the Issuer, such assumption is fully effective and such obligations and liabilities are legally valid and binding on, and enforceable against, the New Issuer (subject to customary assumptions, exceptions and reservations); (B) the Guarantor has obtained all governmental and regulatory approvals and consents necessary for the guarantee referred to in (i) above to be fully effective and such guarantee is legally valid and binding on, and enforceable against, the Guarantor (subject to customary assumptions, exceptions and reservations); (C) such approvals and consents are in full force and effect at the time of substitution; and (D) confirming, with respect to the New Issuer, compliance with Condition 19(a)(vii) (subject to customary assumptions, exceptions and reservations);

(v) in the case of an Additional Guarantor, the Fiscal Agent shall have received legal opinions from independent legal advisors approved by it on which it can rely absolutely to the effect, *inter alia*, that (A) the Additional Guarantor has obtained all governmental and regulatory approvals and consents necessary for the guarantee referred to in Condition 19(a)(ii) (*Requirements for substitution*) above to be fully effective and such guarantee is legally valid and binding on, and enforceable against, the Additional Guarantor (subject to customary assumptions, exceptions and reservations); (B) such approvals and consents are in full force and effect at the time of substitution; and (C) confirming, with respect to the Additional Guarantor, compliance with Condition 19(a)(vii) (*Requirements for substitution*) (subject to customary assumptions, exceptions and reservations);

(vi) in the case of a New Guarantor, the Fiscal Agent shall have received legal opinions from independent legal advisors approved by it on which it can rely absolutely to the effect, inter alia, that (A) the New Guarantor has obtained all governmental and regulatory approvals and consents necessary for the guarantee referred to in Condition 19(a)(iii) (*Requirements for substitution*) above to be fully effective, the holders of the Notes and Coupons have rights against the New Guarantor under such guarantee at least equivalent to the rights they have against the Guarantor (or (as the case may be) the relevant Additional Guarantor) and such guarantee is legally valid and binding on, and enforceable against, the New Guarantor (subject to customary assumptions, exceptions and reservations); (B) such approvals and consents are in full force and effect at the time of substitution; and (C) confirming, with respect to the New Guarantor, compliance with Condition 19(a)(viii) (*Requirements for substitution*) (subject to customary assumptions, exceptions and reservations);

(vii) all payments of principal and interest in respect of the Notes and Coupons by or on behalf of the New Issuer or (as the case may be) the Additional Guarantor or (as the case may be) the New Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature

imposed, levied, collected, withheld or assessed by the tax jurisdiction to which it is subject or any political subdivision or any authority thereof or therein having power to tax;

(viii) any stock exchange on which the Notes are listed shall have confirmed to the Issuer, the Guarantor and the Fiscal Agent that, after giving effect to the substitution or the appointment of the Additional Guarantor, the Notes will continue to be listed on such stock exchange(s);

(ix) two officers of the New Issuer, the Additional Guarantor or (as the case may be) the New Guarantor shall have certified to the Fiscal Agent that the New Issuer, the Additional Guarantor or (as the case may be) the New Guarantor is solvent at the time at which the substitution or appointment is proposed to be effected.

(b) *Substitution effective*: Upon execution and delivery of the deed poll, guarantee or the other documents referred to in Conditions 19(a)(i), (ii) or (iii) (*Requirements for substitution*) above and delivery of the legal opinions and other documents referred to in Conditions 19(a)(iv) to (ix) *(Requirements for substitution*) above:

(i) the New Issuer shall be deemed to be named in the Notes, the Deed of Covenant and the Agency Agreement as the principal debtor in place of the Issuer (or the previous substitute under this Condition 19 (*Substitution*)) and the Notes, the Deed of Covenant, the Agency Agreement shall thereupon be deemed to be amended to give effect to the substitution, and the Issuer (or the previous substitute under this Condition 19 (*Substitution*)) shall be released from all of its obligations under or in respect of the Notes, the Deed of Covenant and the Agency Agreement;

(ii) the Additional Guarantor shall be deemed to be named in the Notes and the Agency Agreement as Guarantor;

(iii) the New Guarantor shall be deemed to be named in the Notes and the Agency Agreement as Guarantor in place of the Guarantor (or the relevant Additional Guarantor) and the Notes, the Agency Agreement shall thereupon be deemed to be amended to give effect to the substitution, and the Guarantor shall be released from all of its obligations under or in respect of the Notes and the Agency Agreement.

(c) *Notice of substitution*: Not later than 20 days after the substitution of a New Issuer or a New Guarantor or the appointment of an Additional Guarantor, notice shall be given to the Noteholders in accordance with Condition 16 (*Notices*).

20 Governing Law and Jurisdiction

(a) *Governing law*: The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law. Articles 470-1 to 470-19 of the Luxembourg law on commercial companies of August 10, 1915, as amended, are hereby excluded.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Notes.

(c) *Appropriate forum*: Each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Condition 20(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 20 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Process agent*: Each of the Issuer and the Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to TI Sparkle UK Limited at 6 New Street Square, London, EC4A 3DJ or, if different, its registered office for the time being. If such person is not or ceases to be effectively appointed to accept service of process on its behalf, it shall, on the written demand of any Noteholder addressed to it and delivered to it or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person (other than himself) by written notice addressed to it and delivered to it or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

APPENDIX B

TERMS AND CONDITIONS OF THE EUR OPTICS (TIF) NOTES

TERMS AND CONDITIONS OF THE EUR OPTICS NOTES:

7.750 per cent. Notes due January 24, 2033

The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each EUR Optics Note (as defined below) in definitive form (if issued):

The €[●] 7.750% Notes due January 24, 2033 issued by Optics Bidco S.p.A. ("**Optics**") and which may be guaranteed by FiberCop S.p.A. ("**NetCo**"), both organised under the laws of Italy, pursuant to articles 2410 and following of the Italian Civil Code are referred to as the "**Notes**". The Notes are issued in exchange for the €[●] aggregate principal amount of 7.750% Notes due January 24, 2033 (the "**7.750% TIF Exchange Notes due 2033**") issued by Telecom Italia Finance SA.

The Notes are constituted by a trust deed (the "**Trust Deed**") entered into on the closing date of the acquisition (the "**Acquisition Closing Date**" and, in connection with the issuance of the Notes, the "**Optics Notes Issue Date**") by Optics of the entire issued and outstanding share capital of NetCo not owned by Fastweb S.p.A,, if applicable, (the "**Acquisition**") among, *inter alios*, Optics, as issuer, Citibank, N.A., London Branch, as trustee (the "**Trustee**") and UniCredit S.p.A., as security agent and *mandatario con rappresentanza* of the Trustee and of the Noteholders from time to time pursuant to articles 1703, 1704 *et seq*. of the Italian Civil Code and representative (*rappresentante*) of the Noteholders from time to time pursuant to article 2414-bis, paragraph 3, of the Italian Civil Code, in connection with the creation, enforcement, and administration of any of the Collateral (the "**Security Agent**"). The Trustee has, on the Optics Notes Issue Date, acceded to the intercreditor agreement (the "**Intercreditor Agreement**") dated December 19, 2023, among, *inter alios*, Optics, NetCo and the Security Agent. Terms defined in the Trust Deed have the same meanings in these Conditions. The issuance of the Notes was authorised by a resolution of the Board of Directors' meeting of Optics passed on April 9, 2024.

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, the Intercreditor Agreement and the Agency Agreement dated as of the Optics Notes Issue Date (the "**Agency Agreement**") made between Optics, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**") and as a paying agent (a "**Paying Agent**"), Citibank Europe plc as registrar (the "**Registrar**") and as transfer agent (a "**Transfer Agent**" together with Principal Paying Agent, the Paying Agent and the Registrar, the "**Agents**" and each an "**Agent**") and the Trustee are available for: (a) inspection or collection at all reasonable times during normal business hours by the Noteholders at the principal office for the time being of the Trustee, being at the date of issue of the Notes at Citigroup Centre, Canada Square, London, E14 5LB, United Kingdom and at the specified office of the Paying Agents; or (b) may be provided by email to a Noteholder following their prior written request to the Trustee, any Agents or Optics therefor and provision of proof of holding and identity (in form satisfactory to the Trustee, the relevant Agent or Optics, as the case may be). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Intercreditor Agreement and all the provisions of the Agency Agreement applicable to them.

The term "**Transaction Documents**" means each of the Notes, the Trust Deed, these Conditions, the Agency Agreement, the Intercreditor Agreement, the Security Documents, in each case, as amended, novated, supplemented (including pursuant to any Supplemental Trust Deed), extended, restated and/or replaced from time to time, and any other document designated as a "Transaction Document" by the Trustee acting in accordance with an Extraordinary Resolution of the Noteholders.

The following series of senior secured notes shall be issued by Optics on the Optics Notes Issue Date in addition to the Notes:

- 2.875% senior secured notes due 2026 (the "**2.875% Notes due 2026**") in exchange for 2.875% Notes due 2026 (the "**2.875% EUR TIM New Notes due 2026**") issued by TIM;
- 3.625% senior secured notes due 2026 (the "**3.625% Notes due 2026**") in exchange for 3.625% Notes due 2026 (the "**3.625% EUR TIM New Notes due 2026**") issued by TIM;
- 2.375% senior secured notes due 2027 (the "**2.375% Notes due 2027**") in exchange for 2.375% Notes due 2027 (the "**2.375% EUR TIM New Notes due 2027**") issued by TIM;
- 6.875% senior secured notes due 2028 (the "**6.875% Notes due 2028**") in exchange for 6.875% Notes due 2028 (the "**6.875% EUR TIM New Notes due 2028**") issued by TIM;

- 7.875% senior secured notes due 2028 (the "**7.875% Notes due 2028**") in exchange for 7.875% Notes due 2028 (the "**7.875% EUR TIM New Notes due 2028**") issued by TIM;
- 1.625% senior secured notes due 2029 (the "**1.625% Notes due 2029**") in exchange for 1.625% Notes due 2029 (the "**1.625% EUR TIM New Notes due 2029**") issued by TIM; and
- 5.250% senior secured notes due 2055 (the "**5.250% Notes due 2055**" and, together with the Notes, the 2.875% Notes due 2026, the 3.625% Notes due 2026, the 2.375% Notes due 2027, the 6.875% Notes due 2028, the 7.875% Notes due 2028 and the 1.625% Notes due 2029, the "**EUR Optics Notes**") in exchange for 5.250% Notes due 2055 (the "**5.250% EUR TIM New Notes due 2055**" and together with the 2.875% EUR TIM New Notes due 2026, the 3.625% EUR TIM New Notes due 2026, the 2.375% EUR TIM New Notes due 2027, the 6.875% EUR TIM New Notes due 2028, the 7.875% EUR TIM New Notes due 2028 and the 1.625% EUR TIM New Notes due 2029, the "**TIM New Notes**") issued by TIM.

1. **Form, Specified Denomination, Title and Transfers**

1.1 **Form and Denomination**

The Notes are issued in the specified denomination of €100,000 and integral multiples of €1,000 in excess thereof.

The Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 1.4, each Certificate shall represent the entire holding of Notes by the same holder.

1.2 **Title**

Title to the Notes shall pass by registration in the register that Optics shall procure to be kept at the registered office of the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**").

1.3 **Holder Absolute Owner**

Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" means the person in whose name a Note is registered.

1.4 **Transfer**

A holding of Notes may, subject to Condition 1.8, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by Optics), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by Optics, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available at all reasonable times during normal business hours by the Registrar to any Noteholder upon request or may be provided by email to a Noteholder following their prior written request to the Registrar and provision of proof of holding and identity (in form satisfactory to the Registrar).

1.5 **Exercise of Options or Partial Redemption in Respect of Notes**

In the case of an exercise of an Optics' or Noteholders' option in respect of, or a partial redemption of, a holding of Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

1.6 **Delivery of New Certificates**

Each new Certificate to be issued pursuant to Condition 1.4 or 1.5 shall be available for delivery within three business days of receipt of a duly completed form of transfer or Put Notice and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Put Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or Put Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to Optics or the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as any of them may specify. In this Condition 1.6, "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

1.7 **Transfer or Exercise Free of Charge**

Certificates, on transfer, exercise of an option or partial redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as Optics, the Registrar or the relevant Transfer Agent may require).

1.8 **Closed Periods**

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by Optics at its option pursuant to these Conditions, (iii) after any such Note has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

2. **Status of Notes, Guarantee and Security**

2.1 **Status of Notes**

The Notes are unconditional, unsubordinated and secured obligations of Optics (or its successor) and rank *pari passu* among themselves and (save as aforesaid and for certain obligations required to be preferred by law) at least equally with all other unsubordinated obligations of Optics from time to time outstanding, including the liabilities under the Senior Facilities Agreement (as defined below), the EUR Optics Notes (other than the Notes) and the USD Optics Notes (as defined below).

2.2 **NetCo Guarantee**

On the Issue Date, the Notes will not be guaranteed.

If the Push-Down Merger has not occurred, subject to the Agreed Security Principles and certain material limitations pursuant to applicable laws and the terms of the Trust Deed, Optics shall procure that no later than the Guarantee and Collateral Grant Date, NetCo shall, by executing and delivering a supplemental trust deed to the Trustee, such supplemental trust deed being substantially in the form attached to the Trust Deed, unconditionally and irrevocably guarantee the due and punctual payment of all sums expressed to be payable by Optics under the Trust Deed and the Notes.

In these Conditions:

"**Guarantee and Collateral Grant Date**" means the date falling 60 days after the Acquisition Closing Date.

"**Guarantor**" means NetCo (from and including the date of the relevant supplemental trust deed entered into by it), together with any Additional Guarantor pursuant to Condition 2.3 (*Additional Notes Guarantees*).

Each Guarantor's obligations in respect of this Conditions 2.2 (*NetCo Guarantee*) or, as the case may be, 2.3 (*Additional Notes Guarantees*) below (each, a "**Guarantee**" and together the "**Notes Guarantees**") shall be contained in the Trust Deed. The Trust Deed shall also provide that the Trustee shall, subject to such amendment of, or supplement to, the Trust Deed as the Trustee may require and subject to the fulfilment of the conditions set out in the Trust Deed, but without the consent of the Noteholders, consent to any such Guarantee being provided by each Additional Guarantor.

Each Notes Guarantee will be on a joint and several basis with each other Guarantee, subject to any relevant enforceability exceptions, and to limitations on the amount of such Guarantee imposed by the laws of the relevant jurisdiction.

Each Notes Guarantee will constitute a direct and unconditional obligation of the relevant Guarantor and will rank at least *pari passu* with all other outstanding unsubordinated obligations of the relevant Guarantor, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.The agreed security principles included in the Trust Deed, as applied in good faith by Optics (the "**Agreed Security Principles**") apply to the granting of guarantees and security in respect of obligations under the Senior Facilities Agreement, the Senior Bridge Facility Agreement, the USD Optics Notes, the EUR Optics Notes and the Notes.

A Notes Guarantee of a Guarantor will be automatically and unconditionally released (and thereupon will terminate and be discharged and be of no further force and effect) and, in the case of (d) below, the Notes Guarantees of all Guarantors will be automatically and unconditionally released (and thereupon will terminate and be discharged and be of no further force and effect):

(a) so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor is unconditionally released and discharged from its liability with respect to the Senior Facilities Agreement;

(b) in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement (defined below);

(c) with respect to any Guarantor which is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction permitted by Condition 3.2 (*Mergers and Similar Events*), Condition 3.6 (*Push-Down Merger*) and the Trust Deed;

(d) upon full payment of all obligations of Optics and the Guarantors under the Trust Deed and the Notes; or

(e) in connection with a solvent liquidation of such Guarantor pursuant to which substantially all of the assets of such Guarantor remain owned by Optics or a Guarantor.

2.3 Additional Notes Guarantees

Optics will not cause or permit any of its Subsidiaries that are not Guarantors, other than Optics, directly or indirectly, to Guarantee any indebtedness under the Senior Facilities Agreement or the Senior Bridge Facility Agreement, in whole or in part unless, such Subsidiary becomes a Guarantor on the date on which such other Guarantee is incurred and, if applicable, executes and delivers a supplemental trust deed to the Trustee, such supplemental trust deed being substantially in the form attached to the Trust Deed, pursuant to which such Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be *pari passu* with such Subsidiary's Guarantee, the Senior Facilities Agreement or the Senior Bridge Facility Agreement, as the case may be. Each Guarantor shall unconditionally and irrevocably guarantee on a joint and several basis (i) the due and punctual payment of all sums expressed to be payable by Optics under the Trust Deed and the Notes and (ii) the performance by Optics of all of its obligations under the Trust Deed and the Notes.

Notwithstanding the foregoing, Optics shall not be obligated to cause any Subsidiary to Guarantee the Notes or provide security to the extent and for so long as the incurrence of such Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to Optics or a Restricted Subsidiary; or (4) an inconsistency with the Intercreditor Agreement or the Agreed Security Principles.

2.4 **Security**

The obligations of Optics under the Notes and the Trust Deed and the obligations of the Guarantors under the Notes Guarantees are secured in favour of (A) the Trustee for the benefit of itself (B) the Security Agent as *rappresentante* pursuant to article 2414-*bis*, paragraph 3, of the Italian Civil Code and (C) the Noteholders as a class, (together the "**Secured Creditors**") as follows:

(a) as of the Optics Notes Issue Date, by Italian law-governed first-ranking security interests granted by Optics Holdco S.r.l. ("**Optics HoldCo**") over: (i) the issued share capital of Optics held by Optics HoldCo; and (ii) receivables arising from material intercompany loans granted by Optics HoldCo to Optics (if any) (the "**Optics Notes Issue Date Collateral**");

(b) if the Push-Down Merger has not occurred, no later than the Guarantee and Collateral Date, by Italian law-governed first-ranking security interests granted by Optics over: (i) the issued share capital of NetCo held by Optics (on a basis whereby (a) the grant of security shall not trigger any tag-along rights in favour of any shareholder of NetCo and (b) the enforcement of such security will not be subject to any lock-up under any shareholder agreements relating to the shares in NetCo); and (ii) receivables arising from material intercompany loans granted by Optics to NetCo (the "**Optics Notes Post-Issue Collateral**");

(c) in the event that the Push-Down Merger cannot be effected with the security interests over the issued share capital of NetCo and/or receivables arising from material intercompany loans granted by Optics HoldCo to Optics remaining in place, such security interests shall be released in order to effect the Push-Down Merger and Optics HoldCo shall, within 20 Business Days following the Push-Down Merger, enter into replacement security over (i) the issued share capital of NetCo held by Optics HoldCo: and (ii) receivables arising from material intercompany loans granted by Optics HoldCo to NetCo, if any (the "**Optics Notes Replacement Collateral**"); and

(d) subsequent to the Issue Date, if any Subsidiaries of Optics, other than NetCo, grants security in connection with providing a Guarantee under the Senior Facilities Agreement or the Senior Bridge Facility Agreement (any such security, "**SFA or SBF Security**"), then Optics shall promptly notify the Trustee in writing and procure that as of the date that security equivalent to such SFA or SBF Security is granted over the obligations of Optics under the Notes and the Trust Deed and the obligations of each of the Guarantors under the relevant Guarantee shall be further secured in favour of the Secured Creditors (or such of the Secured Creditors as may be necessary under applicable legislation in order to create such security over the Notes) by the same security interest as such SFA or SBF Security (each such security interest, "**Additional Collateral**", and together with the Optics Notes Initial Collateral, the Optics Notes Post-Issue Collateral and the Optics Notes Replacement Collateral (if any), the "**Collateral**").

"**Security Documents**" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Trust Deed or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Trust Deed.

All Collateral shall be subject to the operation of the Agreed Security Principles, certain significant limitations pursuant to applicable laws (including but not limited to applicable laws relating to financial assistance and rules and principles on corporate benefit), and any Permitted Encumbrances.

In addition to securing the Notes as aforesaid, the Collateral will secure the remaining EUR Optics Notes, the USD Optics Notes, liabilities under the Senior Facilities Agreement, the Senior Bridge Facility Agreement, any additional Notes and certain other future indebtedness on a *pari passu* basis with the Notes.

"**USD Optics Notes** " means, collectively the following dollar-denominated senior secured notes to be issued by Optics on the Optics Notes Issue Date pursuant to an indenture between, among, *inter alios*, Optics, as issuer, NetCo, as guarantor, Citibank, N.A., London Branch, as trustee and Unicredit S.p.A., as security agent and *mandatario con rappresentanza* and representative (*rappresentante*) of the holders from time to time pursuant to article 2414-*bis*, paragraph 3, of the Italian Civil Code: 6.375% senior secured notes due 2033; 6.000% senior secured notes due 2034; 7.200% senior secured notes due 2036; and 7.721% senior secured notes due 2038.

Subject to certain conditions, including compliance with Condition 3.3 (*Impairment of Security Interest*) and, subject to the Agreed Security Principles, the Collateral may also secure other indebtedness, including on a basis junior to and *pari passu* with the Notes, and Optics is permitted to grant security over the Collateral in connection with future issuances of its indebtedness, including any additional Notes, as permitted under the Trust Deed and the Intercreditor Agreement. Any proceeds received upon the enforcement over any Collateral will be applied *pro rata* in payment of all liabilities in respect of obligations under the Intercreditor Agreement, the Trust Deed and any other indebtedness secured by the Collateral on a *pari passu* basis.

By reason of accepting or acquiring a Note, each Noteholder, also in case of transfer of any of the Notes, shall be deemed to:

- have irrevocably agreed to appoint and accepted the appointment of the Security Agent to act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents);

- have irrevocably agreed to appoint, accepted and recognised the appointment of the Security Agent as *mandatario con rappresentanza* of the Trustee and the Noteholders pursuant to articles 1703, 1704 *et seq.* of the Italian Civil Code and as representative (*rappresentante*) of the Noteholders pursuant to and for the purposes of article 2414-*bis*, paragraph 3, of the Italian Civil Code;

- recognise the Security Agent as its representative (*rappresentante*) pursuant to and for the purposes of article 2414-bis, paragraph 3, of the Italian Civil Code, acting in its name and on its behalf under, in connection with, or in respect of the Collateral (in accordance with, and with the benefit of the full protection set out in, the Trust Deed and the Intercreditor Agreement), with express authorisation to self-dealing under any applicable law and also pursuant to article 1394 and article 1395 of the Italian Civil Code;

- agree to be bound by the terms of any document to which the Security Agent or the Trustee is or will be a party as if such Noteholder was itself a signatory thereto;

- have irrevocably authorised and instructed the Trustee to accede to the Intercreditor Agreement as Senior Notes Trustee (as such term is defined therein) on behalf of the Trustee and the Noteholders by delivering a completed and signed Creditor/Agent Accession Undertaking pursuant to and as defined in the Intercreditor Agreement;

- irrevocably authorised each of the Security Agent and the Trustee to: (a) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement, the Trust Deed or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (b) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Trustee or the Security Agent on its behalf and, in the case of the Security Agent also for the purposes of articles 1703, 1704 *et seq.* of the Italian Civil Code, as *mandatario con*

rappresentanza on behalf of the Trustee and the Noteholders and representative (*rappresentante*) of the Noteholders pursuant to article 2414-bis, paragraph 3, of the Italian Civil Code;

- have agreed and acknowledged that the Security Agent will administer the Collateral in accordance with the Intercreditor Agreement, the Trust Deed and the Security Documents;
- have granted to the Security Agent the power to negotiate and approve the terms and conditions of such Security Document governed by Italian law, execute any such Security Documents governed by Italian law, execute any other agreement or instrument (including without limitation those mentioned in the Security Documents governed by Italian law and those necessary or appropriate to confirm, extend and/or amend the security interest created under the Security Documents governed by Italian law), give or receive any notice or declaration, identify and specify to third parties the names of the Secured Creditors at any given date, and take any other action in relation to the creation, perfection, maintenance, enforcement and release of the security created thereunder, in each case in the name and on behalf of the Secured Creditors;
- have authorised the Trustee and the Security Agent (including in its capacity as representative (*rappresentante*) of the Noteholders pursuant to and for the purposes of article 2414-*bis*, paragraph 3, of the Italian Civil Code), as appropriate, to enter into any such Security Document, Intercreditor Agreement or Additional Intercreditor Agreement, as applicable, and to be bound thereby;
- have accepted the terms and conditions of the Security Documents (including, without limitation, the provisions providing for foreclosure and release of Collateral and authorising the Security Agent to enter into any Security Document on its behalf), Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below);
- have granted to the Security Agent the power to take any action, whether substantial and/or procedural, claim or proceeding, including any interim actions, injunctions (*procedimenti cautelari or ingiuntivi*) or enforcement actions brought in connection with the Security Documents, the security interest created thereunder or the assets over which the security interest have been created (*legittimazione attiva and passiva*) in the name and on behalf of the Secured Creditors;
- have confirmed that in the event that any security created under the Security Documents governed by Italian law remains registered in the name of a Secured Creditor after it has ceased to be a Secured Creditor then the Security Agent shall remain empowered to execute a release of such security in its name and on its behalf;
- have undertaken to ratify and approve any such action taken in compliance with the Intercreditor Agreement, these Conditions and the Trust Deed and in the name and on behalf of the Secured Creditors by the Security Agent acting in its appointed capacity;
- without prejudice to the foregoing, have granted all the widest powers so that the Security Agent, through any of its legal representatives, executives, middle managers and/or attorneys, may, acting in the name and on behalf of each Secured Creditors:

(A) exercise all rights, powers and discretion, execute all documents and take all actions, which are expressed to be exercised, executed or taken by the Security Agent under or in connection with each Security Document or the Collateral created thereunder;

(B) execute:

(I) any amendment or supplement to each Security Document;

(II) all deeds and documents pursuant to any Security Document and any other deed or document contemplated by each of the Security Documents;

(III) any document for, or in connection with the release of the Collateral; and

(IV) take any enforcement action in respect of the Collateral; and

- have agreed that the Security Agent will be exempt from any reporting duty (*obbligo di rendiconto*) pursuant to article 1713 of the Italian Civil Code, save as in the case of its gross negligence (*colpa grave*) and wilful misconduct (*dolo*).

The appointment of the Security Agent as *mandatario con rappresentanza* of the Trustee and the Noteholders pursuant to articles 1703, 1704 *et seq.* of the Italian Civil Code and as *rappresentante* of the Noteholders pursuant to article 2414-*bis*, paragraph 3, of the Italian Civil Code in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the Noteholders all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees and as security agent generally shall remain in full force until the Notes are redeemed in full, unless such appointment is previously revoked or the Security Agent resigns, in accordance with the provisions of the Intercreditor Agreement and the Trust Deed.

The Noteholders shall not have any independent power to enforce, or have recourse to, the Collateral or to exercise any right, power, authority or discretion arising under the Security Documents except through the Security Agent in the manner contemplated by the Intercreditor Agreement and the Trust Deed.

Optics and/or the Guarantors will be entitled to require the release of the Collateral (in whole or in part) in accordance with and subject to the terms of the Intercreditor Agreement under any one or more of the following circumstances:

(a) upon payment in full of principal, interest and all other obligations on the Notes and under the Trust Deed or discharge or defeasance thereof;

(b) upon release of a Notes Guarantee of the Notes (with respect to the Encumbrances securing such Notes Guarantee granted by such Guarantor);

(c) in connection with any disposition of Collateral to any Person, except in the case of Collateral granted by (i) Optics HoldCo and (ii) prior to the Push-Down Merger, Optics;

(d) in connection with certain enforcement actions taken by the creditors under certain of Optics' secured indebtedness as provided under the Intercreditor Agreement, or otherwise any release in compliance with the Intercreditor Agreement;

(e) as may be permitted by Condition 3.3 (*Impairment of Security Interest*);

(f) in order to effectuate (i) except in the case of the Push-Down Merger, a merger, consolidation, conveyance or transfer conducted in compliance with Condition 3.2 (*Mergers and Similar Events*) and (ii) subject to the obligation to grant the Optics Notes Replacement Collateral pursuant to Condition 2.4, the Push-Down Merger, including the release and extinguishment of the security interests granted by Optics HoldCo over the issued share capital of Optics held by Optics HoldCo and receivables arising from material intercompany loans granted by Optics HoldCo to Optics (if any); and

(g) in connection with a Release Condition.

"**Release Condition**" means the long-term corporate credit rating of Optics is equal to or better than BBB- (or its equivalent) from at least two rating agencies; *provided* that at least one of such ratings agencies is either Standard & Poor's or Moody's.

Each of these releases shall be effected by the Security Agent (upon direction of the Trustee, acting in accordance with the Trust Deed and Intercreditor Agreement), provided that, in the event that the Trustee is required by Optics or any Guarantor or the Security Agent to consent to (or to instruct the Security Agent to effect) the release of Collateral in the circumstances set out above, the Trustee (and the Security Agent when instructed) shall only be obliged to do so if: (i) Optics delivers to the Trustee and the Security Agent a certificate signed by a director of Optics and a written opinion from legal counsel reasonably satisfactory to the Trustee and the Security Agent that the conditions or relevant condition under paragraphs (a)-(g) above and the Release Condition have been satisfied in relation to any such release and (ii) each of the Trustee and the Security Agent is indemnified and/or secured and/or prefunded to its satisfaction. The Trustee and the Security Agent shall not be liable to any person for (i) relying and

acting upon such certificate and opinion of counsel and/or (ii) effecting or giving effect to any such release.

Any release of the Collateral other than as set forth in paragraphs (a)-(g) above shall only be permitted in accordance with the Trust Deed and the Intercreditor Agreement.

Subject to the provisions of the Intercreditor Agreement, the Security Agent may only release the Collateral constituted by the Security Documents and the Trust Deed prior to the relevant discharge date provided under the Security Documents in accordance with, and in order to comply with, the Trust Deed, the Intercreditor Agreement, the Security Documents and these Conditions. Neither the Security Agent nor the Trustee shall be required to monitor, check or satisfy itself if the pre-conditions to any such release have been fulfilled and shall have no responsibility or liability whatsoever to Optics, the Noteholders, the other Secured Creditors or any other person in respect thereof.

Under and pursuant to the Intercreditor Agreement, the Trustee is entitled to seek instructions from the Noteholders (whether by way of Extraordinary Resolution or as otherwise provided under the Trust Deed) and, where it acts on the instructions of the Noteholders, the Trustee shall not incur any liability to any person for so acting. The Trustee is not liable to any person for any loss suffered as a result of any delay caused as a result of its seeking instructions from the Noteholders.

2.5 **Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements**

In connection with the incurrence of any indebtedness by Optics or any of its Subsidiaries that is permitted to share in the Collateral (and which Optics elects shall share in the Collateral), the Trustee and the Security Agent shall, at the request of Optics, enter into with Optics, the relevant Subsidiaries and the holders of such indebtedness (or their duly authorised representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an "**Additional Intercreditor Agreement**"), on substantially the same terms as the Intercreditor Agreement (or terms that are not materially less favourable to the Noteholders) and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, as applicable, or adversely affect the rights, duties, liabilities, disclaimers, indemnifications or immunities of the Trustee or the Security Agent under the Trust Deed or the Intercreditor Agreement. In connection with the foregoing, Optics shall furnish to the Trustee such documentation in relation thereto as it may reasonably require. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

The Trust Deed will also provide that (subject to the terms of the Intercreditor Agreement), at the written direction of Optics and without the consent of Noteholders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (a) cure any ambiguity, omission, defect or inconsistency of any such agreement; (b) increase the amount or types of indebtedness covered by any such Intercreditor Agreement that may be incurred by Optics or its Subsidiaries that is subject to any such Intercreditor Agreement; (c) add guarantors to the Intercreditor Agreement; (d) further secure the Notes (including additional Notes); (e) make provision to implement any Permitted Encumbrances in accordance with the terms of the Trust Deed; or (f) make any other change to any such agreement that is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders.

Optics shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding, except as permitted by the terms of the Trust Deed or such Intercreditor Agreement, and Optics may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, disclaimers, indemnifications or immunities under the Trust Deed or any Intercreditor Agreement.

Each Noteholder, by reason of accepting or acquiring a EUR Optics Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorised the Trustee and the Security Agent to enter into the Intercreditor Agreement, any amendments referenced in the

foregoing paragraphs of this covenant and any Additional Intercreditor Agreement on each Noteholder's behalf.

A copy of the Intercreditor Agreement and/or any Additional Intercreditor Agreement shall be made available to the holders of the Notes upon request and will be made available for inspection during normal business hours on any Business Day upon prior written request at the office of Optics.

3. Covenants

3.1 Restrictions on Security Interests

Neither Optics nor Optics HoldCo shall create or permit to subsist any Encumbrance (other than a Permitted Encumbrance) to secure Capital Markets Indebtedness over all or any of the present or future revenues or assets of: (a) Optics; or (b) any Subsidiary, except if the Notes are, subject to the Agreed Security Principles, secured equally and ratably with (in the case of Encumbrances with respect to Capital Markets Indebtedness that is *pari passu* with the Notes), or prior to (in the case of Encumbrances with respect to Capital Markets Indebtedness that is subordinated to the Notes) such Capital Markets Indebtedness for so long as such Capital Markets Indebtedness is so secured; *provided* that sub-paragraph (b) 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 Optics under a Guarantee.

For the avoidance of doubt in respect of asset-backed financing (either by way of a securitization or otherwise) whereby the relevant assets are originated by Optics, the expression assets does not include assets which, pursuant to IFRS, currently need not be, and are not, reflected in the balance sheet of Optics.

"**Capital Markets Indebtedness**" means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, any certificate of indebtedness, bond, note or other security which is listed or traded on a stock exchange or other recognised securities market issued by Optics or NetCo. For the avoidance of doubt: (a) Capital Markets Indebtedness shall not include any Non-recourse Securitization Debt; and (b) in respect of asset-backed financings originated by NetCo or Optics, the expressions "assets" and "obligations for the payment of borrowed money" as used in this definition do not include assets and obligations of NetCo or Optics which, pursuant to the requirements of law and accounting principles generally accepted in Italy, currently need not, and are not, reflected in the balance sheet of NetCo or Optics, as the case may be.

"**Encumbrance**" means: (a) any 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 Optics Group to another member of the Optics 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.

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which Optics or its Subsidiaries are, or may be, required to comply.

"**Non-recourse Securitization Debt**" means any indebtedness incurred in respect of or in connection with any securitization or similar financing arrangement relating to assets owned by Optics or its Subsidiaries and where the recourse of the holders of such indebtedness against Optics is limited solely to such assets or any income generated therefrom (other than representations, repurchase obligations or other obligations customary in securitization transactions).

"**Optics Group**" means Optics and its Subsidiaries from time to time.

"**Permitted Encumbrance**" means:

(a) any Encumbrance in existence on the Optics Notes Issue Date;

(b) any Encumbrance over or affecting any asset acquired by Optics or its Subsidiaries after the Optics Notes Issue Date and subject to which such asset is acquired, if:

(i) such Encumbrance was not created in contemplation of the acquisition of such asset by Optics or its Subsidiaries;

(ii) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by Optics or its Subsidiaries;

(c) any netting or set-off arrangement entered into by any member of the Optics Group in the normal course of its banking arrangements (including any cash pooling, net balance, balance transfer or similar arrangements entered into by the Optics Group) for the purpose of netting debit and credit balances or the provision of general banking and overdraft facilities;

(d) any Encumbrance over or affecting any asset of any company which becomes a Guarantor after the Optics Notes Issue Date, where such Encumbrance is created prior to the date on which such company becomes a Guarantor, if:

(i) such Encumbrance was not created in contemplation of that company becoming a Guarantor; and

(ii) the amount thereby secured has not been increased in contemplation of, or since the date of, that company becoming a Guarantor;

(e) any Encumbrance by way of set-off, title transfer, retention of title arrangement, conditional sale agreements or trust relationships or other liens entered into by any member of the Optics Group in the ordinary course of business;

(f) Encumbrances created in substitution for any Encumbrance permitted under sub-paragraphs (a) and (b) over the same or substituted assets. This sub-paragraph 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;

(g) Encumbrances created to secure: (i) loans provided, supported or subsidized by a governmental agency, export credit agency, national or multinational investment guarantee agency or a lending organization established by the United Nations, the European Union or other

international treaty organization, 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 sub-paragraph (g) 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);

(h) Encumbrances arising out of the refinancing of any Capital Markets Indebtedness secured by any Encumbrance permitted by sub-paragraphs (a) through (g) above. These Encumbrances will, however, only be permitted if the amount of such Capital Markets Indebtedness is not increased (other than in connection with additional Capital Markets Indebtedness incurred in an amount equal to the premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection with refinancing of any such Capital Markets Indebtedness) and is not secured by an Encumbrance over any additional assets;

(i) any Encumbrance arising by operation of law or regulation;

(j) 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 Optics to effect the conversion of the bonds or notes into such assets;

(k) any Encumbrance created in the ordinary course of business to secure any Capital Markets Indebtedness under hedging transactions (other than hedging transactions for speculative purposes (as determined in good faith by Optics));

(l) any Encumbrance arising under finance leases, hire purchase, conditional sale agreements or other agreements for the acquisition of assets on deferred payment terms as permitted under the Trust Deed or otherwise in connection with any leasing (including sale and leaseback transactions), rent securitization (including ground rent), vendor financing or similar arrangements permitted by the Trust Deed;

(m) any Encumbrance created on short-term receivables used in any asset backed financing;

(n) any Encumbrance on real estate assets of Optics, any Subsidiary or any Person to which such real estate assets may be contributed by Optics or any Subsidiary in connection with the issuance of any indebtedness, whether such indebtedness is secured or unsecured by such real estate assets or any other assets of such Person to which real estate assets have been contributed by Optics or any Subsidiary;

(o) any Encumbrance arising by operation of law in respect of taxes being contested in good faith or required to be created in favour of any tax or other government authority or organization in order to appeal against or otherwise challenge tax assessments and/or claims in good faith;

(p) any Encumbrance created in connection with pension liabilities or partial retirement liabilities;

(q) any Encumbrance arising under or pursuant to the Senior Facilities Agreement, the Senior Bridge Facility Agreement or any refinancing thereof; and

(r) any other Encumbrance securing Capital Markets Indebtedness; *provided* that the aggregate outstanding principal amount of indebtedness secured thereunder does not exceed the greater of €1,000,000,000 or, if higher, 100% of Relevant EBITDA.

"**Person**" means any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organization 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 Optics or by one or more of its Subsidiaries, or by Optics and one or more Subsidiaries.

3.2 **Mergers and Similar Events**

So long as any Note remains outstanding, each of Optics and NetCo 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 Optics shall not take any of these actions unless:

(a) where Optics or NetCo merges out of existence or sells or leases all or substantially all of its assets, the acquiring or resulting company assumes (a) all the then existing obligations of Optics or NetCo, as the case may be, (including, without limitation, all obligations under the Notes and the Trust Deed), either by law or contractual arrangements and (b) to the extent required by applicable law to effect such assumption, all obligations of the issuer of the Notes under the Trust Deed, the Intercreditor Agreement, the Agency Agreement and the Transaction Security Documents;

(b) if the other company is organized under the laws of a country other than the Republic of Italy, it indemnifies the Noteholders against: (i) any tax, assessment or governmental charge imposed on any such Noteholder or required to be withheld or deducted from any payment to such Noteholder or 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 however that*, if such company is incorporated in the Republic of Italy, such other company shall only be liable under such indemnity to pay any Additional Amounts (as defined below) on the same terms and subject to the same limitations already provided by Condition 7.1 below; and

(c) the merger, sale or lease of all or substantially all of the assets of Optics 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,

in each case, provided that Optics delivers to the Trustee a certificate signed by a director of Optics and a written opinion from legal counsel reasonably satisfactory to the Trustee as to compliance with the merger or assumption provisions set out in this Condition.

Notwithstanding the foregoing sub-paragraphs (b) and (c) of this Condition (which do not apply to the transactions referenced in this sentence),

(i) any Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to Optics or another Subsidiary;

(ii) Optics may merge with or into an affiliate solely for the purpose of reincorporating such entity in another jurisdiction, changing the legal domicile of Optics or changing the legal form (but not the tax residency) of Optics; and

(iii) this covenant shall not apply in respect of the Push-Down Merger under Condition 3.6 (*Push-Down Merger*).

3.3 **Impairment of Security Interest**

Neither Optics or Optics HoldCo shall, and Optics shall not permit NetCo to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Permitted Encumbrances, or the confirmation or affirmation of security interests in respect of the Collateral, shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Secured Creditors, and neither Optics nor Optics HoldCo shall, and Optics shall not permit NetCo to, grant to any Person other than the Security Agent, for the benefit of the Secured Creditors and the other beneficiaries described in the Security Documents, any Encumbrance over any of the Collateral that is prohibited by Condition 3.1 (*Restrictions on Security Interests*); *provided*, that Optics, Optics HoldCo and NetCo may incur any Encumbrance over any of the Collateral that is not prohibited by Condition 3.1 (*Restrictions on Security Interests*), including Permitted Encumbrances, and the Collateral may be discharged, transferred, depleted, consumed or released in any circumstances not prohibited by the Trust Deed, the Intercreditor Agreement or the applicable Security Documents.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Encumbrance in accordance with the Conditions and the Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of an Encumbrance of at least equivalent ranking over the same assets) to: (a) cure any ambiguity, omission, defect or inconsistency therein; (b) provide for Permitted Encumbrances; (c) add to the Collateral; or (d) make any other change thereto that does not, in the opinion of the Trustee, materially prejudice the interests of the Noteholders; *provided*, however, that, (except where permitted by the Conditions or the Intercreditor Agreement or to effect or facilitate the creation of Permitted Encumbrances for the benefit of the Security Agent and holders of other indebtedness incurred in accordance with the Trust Deed), no Security Document may be amended, extended, renewed, restated or otherwise modified or released (followed by an immediate retaking of an Encumbrance of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement or modification or release (followed by an immediate retaking of an Encumbrance of at least equivalent ranking over the same assets), Optics delivers to the Security Agent and the Trustee, either: (i) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an Independent Financial Advisor or appraiser or investment bank which confirms the solvency of Optics and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of an Encumbrance of at least equivalent ranking over the same assets); (ii) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the Person granting any such Encumbrance after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or replacement; or (iii) an opinion of counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Encumbrance created under the Security Document, so amended, extended, renewed, restated, modified or released and replaced are valid and perfected Encumbrances not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Encumbrance or Encumbrances were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement and to which the new indebtedness secured by the Permitted Encumbrance is not subject.

In the event that Optics and NetCo comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications and in accordance with and subject to the terms of the Trust Deed) consent to such actions without requiring instructions from the Noteholders.

"**Independent Financial Advisor**" means an investment banking or accounting firm or any third party appraiser; *provided*, however, that such firm or appraiser is not an affiliate of Optics.

3.4 **Holding Companies**

Prior to the Push-Down Merger, Optics shall not carry on any material business other than:

(a) the holding of shares and other equity interests in NetCo;

(b) the making of loans to its Subsidiaries;

(c) the maintenance of a head office, related activities and other customary holding company activities and services (including the provision of consultancy, treasury and advisory services to members of the Optics Group);

(d) payment of dividends, distributions and payments on subordinated indebtedness;

(e) transactions and activities contemplated as part of the Transactions;

(f) the entry into, and the performance of its obligations and the exercise of its rights under:

(i) documents entered into in connection with the Transactions;

(ii) any other shareholder related arrangement not prohibited by the Trust Deed; and

(iii) any refinancing of indebtedness permitted under the Trust Deed (including, without limitation, any purchase agreement, escrow agreement, facilities agreement and/or other document entered into in connection with any such refinancing);

(g) incurring liabilities for or in connection with taxes and making claims (and receipt of related proceeds) for rebates or indemnification in respect of taxes;

(h) incurring liabilities arising by operation of law;

(i) in respect of any employment contracts for any employee of Optics;

(j) holding cash or cash equivalents;

(k) pursuant to a reorganization permitted under these Conditions;

(l) the taking of any administrative actions necessary to maintain its existence;

(m) in connection with any litigation or court or other similar proceedings that are, in each case, being contested in good faith;

(n) in connection with a listing of securities;

(o) any transaction constituting or relating to an equity contribution;

(p) any payments or other transactions or arrangements in connection with a hedging transactions; and/or

(q) in connection with any management equity plan, incentive scheme or similar arrangement or any loans to employees or management.

"**Transactions**" means: (a) the issuance of the EUR Optics Notes and the USD Optics Notes; (b) entering into Senior Facilities Agreement and the Senior Bridge Facility Agreement; (c) the equity contribution in connection with the Acquisition; (d) the use of proceeds as set forth under "*Use of Proceeds*" in this Exchange Offering Memorandum; (e) the consummation of the Acquisition; and (f) the payment of fees and expenses in connection with the foregoing transactions.

3.5 **Indebtedness**

Except as permitted under the Senior Facilities Agreement, NetCo shall not incur any indebtedness prior to the Push-Down Merger.

"Senior Facilities Agreement" means the senior facilities agreement dated 19 December 2023 between, among others, Optics, UniCredit S.p.A., as facility agent and security agent and the lenders named therein.

3.6 **Push-Down Merger**

Optics shall use commercially reasonable endeavours to complete the Push-Down Merger within six months of the Optics Notes Issue Date.

Following the Push-Down Merger, NetCo shall succeed to, and be substituted for, and may exercise every right and power of, and shall assume all of the existing obligations of the issuer under the Notes and the Trust Deed. To the extent that NetCo has provided a Notes Guarantee, in respect of the Notes prior to the Push-Down Merger, such Notes Guarantee shall be extinguished by operation of law.

"**Push-Down Merger**" means a merger pursuant to article 2501 bis of the Italian Civil Code of Optics with NetCo, with NetCo as the surviving entity.

Each Noteholder, by reason of accepting and holding a Note will be deemed to agree, for the purposes of articles 2503 *et seq*. of the Italian Civil Code, to the consummation of the Push-Down Merger and the assumption by NetCo of all obligations of Optics in respect of the Notes, the Conditions, the Trust Deed, the Agency Agreement, the Intercreditor Agreement and the relevant Security Documents in accordance with the terms of the Trust Deed upon completion of the Push-Down Merger.

Upon the Push-Down Merger, Optics will be replaced and substituted by NetCo (the "**Substituted Debtor**") as principal debtor in respect of the Notes provided that:

(a) following such merger the Noteholders (or the Security Agent on their behalf including in its capacity as representative (*rappresentante*) of the Noteholders pursuant to and for the purposes of article 2414-*bis*, paragraph 3 of the Italian Civil Code) will continue to have the same or substantially equivalent Security as they had immediately prior to the Push-Down Merger; and

(b) such documents, if any, shall be executed by the Substituted Debtor and Optics as may be necessary to give full effect to the substitution (the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder and the Trustee to be bound by the Conditions and the provisions of the Trust Deed and Agency Agreement in full as if the Substituted Debtor had been named in the Notes and the Trust Deed and Agency Agreement as the principal debtor in respect of the Notes in place of Optics as issuer of the Notes.

In connection with any substitution effected pursuant to this Condition 3.6 (*Push-Down Merger*), neither Optics nor the Substituted Debtor need to have any regard to the consequences of any such substitution for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Noteholder shall be entitled to claim from Optics or any Substituted Debtor under the Notes and any indemnification or payment in respect of any tax or other consequences arising from such substitution.

Upon the Push-Down Merger, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of Optics and the Notes shall thereupon be deemed to be amended to give effect to the substitution. Upon the Push-Down Merger, Optics will be extinguished and, thus, released as issuer of the Notes from all of its obligations as principal debtor in respect of the Notes save that any claims under the Notes and the Trust Deed prior to release shall inure to the benefit of Noteholders and the Trustee.

The Documents, if any, shall be deposited with and held by the Trustee for so long as any Notes remain outstanding and for so long as any claim made against the Substituted Debtor by any Noteholder or the Trustee in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and Optics shall acknowledge in the Documents, if any, the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents. The Documents (a) shall be available for inspection or collection at all reasonable times

during normal business hours by the Noteholders at the principal office for the time being of the Trustee, being at the date of issue of the Notes at Citigroup Centre, Canada Square, London, E14 5LB, United Kingdom and at the specified office of the Paying Agents; or (b) may be provided by email to a Noteholder following their prior written request to the Trustee, any Agent or Optics therefor and provision of proof of holding and identity (in form satisfactory to the Trustee, the relevant Agent or Optics, as the case may be). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Intercreditor Agreement and the Security Documents.

3.7 **Calculation of Ratios**

(a) In respect of any Measurement Period, the exchange rate used to calculate Total Net Debt shall be the same weighted average exchange rate for the same period used to calculate Consolidated EBITDA (provided that any amount of Financial Indebtedness will be stated so as to take into account the hedging effect of any currency hedging entered into in respect thereof).

(b) In respect of any period, the exchange rate used to calculate Borrowings shall be stated so as to take into account the hedging effect of any currency hedging entered into in respect thereof.

(c) (i) When determining Consolidated EBITDA for any period (including the portion thereof occurring prior to the relevant acquisition) Optics shall be permitted to:

(A) include the earnings before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as Consolidated EBITDA, *mutatis mutandis*) for that period of any person, business or material real property acquired by the Optics Group during such period (each such person or business acquired an "**Acquired Entity or Business**") (**provided further that** Optics shall include such earnings to the extent that to do so would result in a decrease in Consolidated EBITDA for that period);

(B) include an adjustment in respect of each Acquired Entity or Business acquired during such period equal to or less than the amount of the Pro Forma Adjustment for such period consequent on the acquisition of such Acquired Entity or Business; and/or

(C) exclude any non-recurring costs and other expenses arising directly or indirectly as a consequence of the acquisition of such Acquired Entity or Business;

(ii) When determining Consolidated EBITDA for any period (including the portion thereof occurring prior to such sale, transfer or disposition) Optics shall be permitted to:

(A) exclude the earnings before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as Consolidated EBITDA, *mutatis mutandis*) for that period of any person, business or material real property sold, transferred or otherwise disposed of by any member of the Optics Group during such period (each such person, business or property so sold, transferred or disposed of, a "**Sold Entity or Business**") (**provided further that** Optics shall exclude such earnings to the extent that to do so would result in a decrease in Consolidated EBITDA for that period); and/or

(B) include an adjustment in respect of each Sold Entity or Business sold, transferred or otherwise disposed of during such period equal to or less the amount of the Pro Forma Adjustment for such period consequent on the sale, transfer or other disposal of such Sold Entity or Business; and/or

(C) exclude any non-recurring costs and other expenses arising directly or indirectly as a consequence of the sale or disposal of such Sold Entity or Business; and

(iii) When determining Consolidated EBITDA for any period (including the portion thereof occurring prior to such implementation) Optics shall be permitted to:

(A) include an adjustment in respect of each restructuring, cost saving or other similar initiative (each a "Group Initiative") implemented by any member of the Optics Group during such period equal to or less than the amount of the Pro Forma Adjustment for such period consequent on the implementation of such Group Initiative; and/or

(B) exclude any non-recurring costs and other expenses arising directly or indirectly as a consequence of the implementation of such Group Initiative; and

(iv) When determining Consolidated EBITDA for any period (including the portion thereof occurring prior to such capital expenditure) Optics shall be permitted to include an adjustment in respect of any capital expenditure made during such period equal to or less the amount of the Pro Forma Adjustment for such period consequent on that capital expenditure.

For the purpose of this paragraph (c) "**Pro Forma Adjustment**" shall mean, for any period that includes any of the two Accounting Periods first following the acquisition of or investment in an Acquired Entity or Business, the sale, transfer or other disposal of a Sold Entity or Business, the implementation of a Group Initiative or the making of capital expenditure (the first of such two Accounting Periods starting in the Accounting Period in which such acquisition, investment, sale, transfer, disposal, implementation or expenditure occurred), with respect to Consolidated EBITDA, the pro forma increase in such Consolidated EBITDA projected by Optics after taking into account (for the full period) the full run rate effect of (as the case may be):

(1) all savings and other synergies which Optics (acting reasonably and as confirmed in writing by the chief financial officer of the Optics Group, or such other officer as is performing the functions of the chief financial officer) believes can be obtained in the 12 Month period following such acquisition, investment, sale, transfer, disposal or implementation by combining the operations of such Acquired Entity or Business with the operations of the Optics Group, as a consequence of the sale, transfer or other disposal of such Sold Entity or Business or as a result of implementing such Group Initiative; and

(2) all revenues which Optics (acting reasonably and as confirmed in writing by an officer of the Optics Group) believes can be obtained in the 12 Month period following such capital expenditure as a consequence of that capital expenditure),

provided that any such pro forma increase to Consolidated EBITDA shall be without duplication for savings, synergies or revenues actually realised during such period and already included in such Consolidated EBITDA.

4. Interest

4.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from and including the Optics Notes Issue Date at the rate of 7.750 per cent. per annum, payable annually in arrear in equal instalments of €77.50 per €1,000 principal amount of Notes on 24 January in each year (each an "**Interest Payment Date**") up to (and including) the Maturity Date, except that the first payment of interest, to be made on [January 24, 2025], will be in respect of the period from and including the Optics Notes Issue Date to but excluding the first Interest Payment Date, being [January 24, 2025]. In these Conditions, "**Interest Period**" means the period beginning on and including the Optics Notes Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

4.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon surrender of the Certificate representing such Note, 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**

(a) If the Accrual Period is shorter than an Interest Period, the amount of interest payable per €1,000 in principal amount of the Notes (the "**Calculation Amount**") for such period shall be equal to the product of the applicable percentage of interest, the Calculation Amount and the Day-Count Fraction,

where:

"**Day-Count Fraction**" means the number of days in the Accrual Period divided by 365; and

"**Accrual Period**" means the relevant period for which interest is to be calculated (from and including the first such day to but excluding the last); and

(b) The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of the Notes shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the Notes, without any further rounding.

5. **Payments**

5.1 **Method of Payment**

(a) Payments of principal shall be made by the Paying Agent (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in paragraph (b) below.

(b) Interest on each Note shall be paid to the person shown on the Register at the close of business on the fifteenth business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made by credit or transfer to a euro account specified by the payee and maintained with a bank in a city in which banks have access to T2. For the purposes of these Conditions, "**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(c) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by Optics or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

5.2 **Payment subject to Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholders in respect of such payments.

5.3 **Appointment of Agents**

The Principal Paying Agent, the Registrar and the Transfer Agents initially appointed by Optics and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agents act solely as agents of Optics and do not have any fiduciary duties or assume any obligation or relationship of agency or trust for or with any Noteholder. Optics reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or any Transfer Agent and to appoint additional or other Transfer Agents, provided that Optics shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case, as approved by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given by Optics to the Noteholders in accordance with Condition 12 (*Notices*).

5.4 **Delay in Payment**

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day or if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

5.5 **Non-Business Days**

If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 5, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Paying Agent and the Registrar is located and which is a TARGET Business Day.

"**TARGET Business Day**" means any day on which T2 is open for the settlement of payments in euro.

6. **Redemption and Purchase**

6.1 **Redemption at Maturity**

Unless previously redeemed or purchased and cancelled, Optics will redeem the Notes on January 24, 2033 (the "**Maturity Date**") in an amount equal to the principal amount (the "**Final Redemption Amount**").

6.2 **Redemption for Taxation Reasons**

Optics may redeem the Notes, in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Trustee, the Principal Paying Agent and the Noteholders (which notice will be irrevocable and distributed to Noteholders in the manner as described in Condition 12 (*Notices*)), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to, but excluding, the date fixed by Optics for redemption (the "**Tax Redemption Date**") and all Additional Amounts (as defined below) (if any) then due and that will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Noteholders of record on the relevant record date to receive interest due on an Interest Payment Date that is prior to the Tax Redemption Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, a Payor (as defined below) is or would be required to pay Additional Amounts, and the Payor cannot avoid any such payment obligation by taking reasonable measures available to it, including the appointment of a different Paying Agent (provided that changing the jurisdiction of the Payor is not a reasonable measure for purposes of this section), as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations, protocols or rulings promulgated thereunder) of a Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) affecting taxation, which change or amendment is publicly announced or becomes effective on or after the Optics Notes Issue Date (or, if the relevant Tax Jurisdiction was not a Tax Jurisdiction on such date, the date on which such Tax Jurisdiction became a Tax Jurisdiction under the Trust Deed);

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations, protocols or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change or amendment regarding the application, administration or interpretation is publicly announced or becomes effective on or after the Optics Notes Issue Date (or, if the relevant Tax Jurisdiction was not a Tax Jurisdiction on such date, the date on which such Tax Jurisdiction became a Tax Jurisdiction under the Trust Deed) (each of the foregoing sub-paragraphs (a) and (b), a "**Change in Tax Law**"); or

(c) the merger of the Payor into another Person or the conveyance, transfer or lease of all or substantially all of the Payor's assets, unless the sole purpose of such a merger would be to permit Optics to redeem the EUR Optics Notes.

Optics will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Payor would be obligated to pay Additional Amounts if a payment in respect of the Notes were then

due, and unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the publication or, where relevant, sending of any notice of redemption of the Notes pursuant to this Condition, Optics will deliver to the Trustee an opinion of counsel in form and substance reasonably satisfactory to the Trustee stating that there has been such a Change in Tax Law which would cause the Payor to be or become obligated to pay Additional Amounts. In addition, before Optics publishes or sends notice of redemption of the Notes as described above, it will deliver to the Trustee an certificate signed by a director of Optics stating that Optics is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and, where relevant, that the obligation to pay Additional Amounts cannot be avoided by Optics taking reasonable measures available to it.

The Trustee shall be entitled to accept such director's certificate and opinion of counsel as sufficient evidence, without further inquiry, of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Noteholders.

6.3 **Redemption at the Option of Optics (Make-Whole Call)**

Optics may, having given:

(a) not less than 10 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 10 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, as calculated by Optics or on behalf of Optics by such Person as Optics shall designate (which for the avoidance of doubt shall not include the Trustee, the Principal Paying Agent, the Registrar or the Transfer Agent), 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 to the First Call Date (as defined below) (not including any interest accrued on the Notes to, but excluding, the Optional Redemption Date) discounted to the First Call 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:

(a) 0.40 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 Optics)) most nearly equal to the period from the Optional Redemption Date to the First Call Date;

"**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 Optics by the Reference Dealers; and

"**Reference Dealers**" shall be each of the four banks selected by Optics which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues.

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 Optics (Issuer Par Call)**

Optics may, having given:

(a) not less than 10 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 10 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 or in part, at any time during the period commencing on (and including) the day that is 90 days prior to the applicable maturity date of such series of Notes to be redeemed (the "**First Call Date**") to (but excluding) the applicable maturity date of the Notes to be redeemed, at a redemption price equal to 100% of the principal amount of the Notes redeemed, together (if appropriate) with interest accrued but unpaid to (but excluding) the date fixed for redemption.

6.5 **Redemption at the option of the Noteholders (Change of Control Put)**

If a Put Event (as defined below) has occurred, upon any Noteholder giving notice to Optics during the period ending on the 60th day following the public announcement that the relevant Change of Control has occurred (the "**CoC Notice Period**"), Optics will redeem the Notes on the Business Day which is 7 days after the expiration of the CoC Notice Period, at an amount equal to 100% of the principal amount of the Notes to be redeemed, together, if appropriate, with interest accrued to (but excluding) such redemption date.

Promptly upon Optics becoming aware that a Put Event has occurred, Optics shall give notice to the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 12 (*Notices*) specifying (i) that Noteholders are entitled to exercise their put option during the CoC Notice Period; and (ii) all information material to Noteholders in relation to the Change of Control.

To exercise the right to require redemption of the Notes the Noteholder must deliver, at the specified office of any Paying Agent or the Registrar at any time during normal business hours of such Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the Noteholder must specify a bank account to which payment is to be made under this Condition 6.5 and the Put Notice must be accompanied by the Certificate representing such Notes or evidence satisfactory to the Registrar or any Paying Agent concerned that the Notes will, following delivery of the Put Notice, be held to its order or under its control.

Any Put Notice given by a holder of any Note pursuant to this Condition 6.5 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 Optics to withdraw the notice given pursuant to this Condition 6.5 and instead to declare such Note forthwith due and payable pursuant to Condition 9 (*Events of Default*).

For the purposes of this Condition 6.5:

(a) a **Change of Control** shall be deemed to occur if more than 50 per cent. of the share capital of Optics and (i) more than 50 per cent. of the voting rights normally exercisable at a general meeting of Optics, or (ii) the power to appoint a majority of the board of directors of Optics or of any other equivalent governing body whether through the ownership of voting capital, by contract or otherwise, is acquired, directly or indirectly, by any Person (other than Reference Shareholders and any of their respective Subsidiaries);

For the purposes of this definition:

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

"**Reference Shareholders**" means KKR and any funds or partnerships managed or advised, directly or indirectly, by KKR or an Affiliate thereof, and any limited partner of or co-investor with any such partnership or fund or an Affiliate thereof.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

(b) **Investment Grade Rating**, means a Rating at least equal to BBB-/Baa3 or better;

(c) a **Negative Event** will be deemed to have occurred if:

(i) there are two or more Investment Grade Ratings and (a) such Investment Grade Ratings are reduced to below Investment Grade by two or more Rating Agencies during the period ending on the 30th day after the date of the public announcement of the occurrence of the Change of Control and (b) the Relevant Leverage Ratio would have been greater than 6.0 to 1.0 after giving pro forma effect to such Change of Control; or

(ii) only one Investment Grade Rating is outstanding and (a) such Investment Grade Rating is reduced to below an Investment Grade Rating by the relevant Rating Agency during the period ending on the 30th day after the date of the public announcement of the occurrence of the Change of Control and (b) the Relevant Leverage Ratio would have been greater than 6.0 to 1.0 after giving pro forma effect to such Change of Control; or

(iii) in the case where on the 30th day after the date of the public announcement of the occurrence of the Change of Control, there is no Investment Grade Rating as of such date, the Relevant Leverage Ratio would have been greater than 6.0 to 1.0 after giving pro forma effect to such Change of Control;

(d) a "**Put Event**" will be deemed to have occurred if, during the period from and including the Optics Notes Issue Date to but excluding the Maturity Date, there occurs a Change of Control and, during the period ending on the 30th day after the date of the public announcement of the occurrence of the Change of Control, a Negative Event occurs;

(e) "**Rating**" means any long-term credit rating assigned to Optics by any Rating Agency; and

(f) "**Rating Agency**" means Moody's Investors Service Ltd. or any of its subsidiaries or their successors (Moody's), Fitch Ratings Limited or any of its subsidiaries or their successors

(Fitch) and S&P Global Ratings Europe Limited or any of its subsidiaries or their successors (S&P), or any rating agency with equivalent international standing substituted for any of them (or any permitted substitute of them) specified from time to time by Optics from time to time.

(g) "**Relevant Leverage Ratio**" means the ratio of Total Net Debt on the last day of the most recently completed Measurement Period to Adjusted Reported EBITDA (calculated on a pro forma basis) for that Measurement Period.

(h) "**Total Net Debt**" means, at any time, the aggregate principal amount of all Borrowings of the Optics Group, but:

(i) excluding all leases (regardless of the accounting treatment thereof);

(ii) deducting the pro rata share of which is attributable to any third party (not being a member of the Optics Group) which is a shareholder (or holds an equivalent ownership interest) in any member of the Optics Group, unless such Financial Indebtedness is guaranteed by one or more other members of the Optics Group which are not Subsidiaries of the borrower of such Financial Indebtedness; and

(iii) deducting the aggregate amount of cash and cash equivalents held by each member of the Optics Group,

(iv) and so that no amount shall be included or excluded more than once.

"**Accounting Principles**" means generally accepted accounting principles in Italy or IFRS, in each case to the extent applicable to the relevant financial statements and as applied by Optics from time to time.

"**Adjusted Reported EBITDA**" means, for any Measurement Period Consolidated EBITDA for such period, adjusted to deduct the cash portion of any recurring payments (excluding any principal amount repayment) attributable to any lease that would not have been considered as a finance lease in accordance with IFRS as applied immediately prior to the adoption of IFRS 16 (*Leases*).

"**Borrowings**" means, at any time, Financial Indebtedness excluding, for the avoidance of doubt:

(a) any liabilities due under any derivative agreement; *provided* that any amount of Financial Indebtedness will be stated so as to take into account the hedging effect of currency hedging entered into in respect thereof and; *provided further* that that where such agreement provides for netting to occur only the net amount of the payment obligation outstanding from the relevant member of the Optics Group thereunder after such netting-off has occurred shall be included; and

(b) any liabilities of the type referred to in paragraph (k) or (l) of the definition of Financial Indebtedness to the extent relating to indebtedness already included within this definition or to any of the items referred to in paragraph (a) above.

"**Consolidated EBITDA**" means, for any period, Net Income for such period with the following adjustments (without double counting and without deducting or adding back amounts not otherwise included or, as the case may be, deducted in the calculation of Net Income or in this definition):

(a) **before deducting** Interest Payable, any other interest and any payment-in-kind interest for which any member of the Optics Group is liable (for the avoidance of doubt, including any costs relating to factoring or discounting arrangements and any cost relating to the issue or maintenance of any bond, letter of credit, guarantee or other assurance against financial loss) and any deemed finance charge in respect of any pension liabilities and/or other provisions (and any other debt or equity finance related fee or cost or post-retirement benefit scheme costs charged to finance costs in accordance with the Accounting Principles);

(b) **after deducting** Interest Income and/or any other Interest accruing in favour of any member of the Optics Group;

(c) **before deducting** any amount of Tax (including deferred tax) on profits, gains or income payable by or deducted for any member of the Optics Group;

(d) **after adding back** any amount attributable to any amortisation or impairment whatsoever, any depreciation whatsoever (including any write down of fixed assets) and any costs or provisions relating to any MEP or any share option or incentive scheme of any member of the Optics Group;

(e) **after adding or deducting** (as the case may be), the effect (positive or negative) of any one-off, non-recurring, extraordinary, unusual or exceptional item or amount (including, for the avoidance of doubt, gain, loss, charge or expense);

(f) **after deducting** any gain over book value arising in favour of a member of the Optics Group on the disposal of any asset (not including any disposal made in the ordinary course of trading) during such period and any gain arising on any revaluation of any asset during such period; **after adding back** any loss against book value incurred by a member of the Optics Group on the disposal of any asset (not including any disposal made in the ordinary course of trading) during such period and any loss arising on any revaluation of any asset during such period;

(g) **after adding back** Transaction Costs;

(h) **after adding back** an amount equal to the amount of any reduction, and **after deducting** an amount equal to the amount of any increase, in Net Income of the Optics Group as a result of a revaluation of assets and liabilities of members of the Optics Group which would not have occurred but for the occurrence of the Transactions;

(i) **after adding back** the amount of any management, consulting, investor, monitoring, advisory and director fees, expenses and compensation (together with any other amounts paid under the Service Agreements) paid by any member of the Optics Group to the Investors (directly or indirectly);

(j) **after adding back** any fees, costs or charges of a non-recurring nature related to any equity offering, compensation payments to departing management, investments (including any investment in a joint venture), acquisitions or indebtedness (in each case, whether or not successful);

(k) **after adding back** any restructuring costs recognised during such period;

(l) **excluding** any unrealised foreign exchange gains and losses, including any arising on translation of currency debt, and before taking account of any hedging gains and losses relating to finance costs and taking no account of any unrealised gains or losses on any financial instrument (other than any derivative instrument which is accounted for on a hedge accounting basis or similar);

(m) **excluding** any gain or loss arising directly or indirectly on the acquisition by any member of the Optics Group of all or part of any debt instrument (in each case to the extent otherwise included);

(n) **excluding** the impact of any other unrealised gains or losses arising from the application of IAS 32/39 and any debits to profits relating to the write-off of Transaction Costs;

(o) **before deducting** any dividends paid or declared but unpaid;

(p) **including** the consolidated earnings from operating activities of any unconsolidated entities received as a dividend or distribution by any member of the Optics Group during such period; and

(q) **including** the amount of any Net Income (or **excluding** any loss) of any member of the Optics Group which is attributable to any third party which is a shareholder in such member of the Optics Group.

"**Equity Contribution**" means:

(a) any subscription for shares issued by, and any capital contributions to, Optics in each case); and/or

(b) any loans, notes, bonds or like instruments issued by or made to Optics which are subordinated to the Optics Notes pursuant to the Intercreditor Agreement.

"**Financial Indebtedness**" means (without double counting) any indebtedness (including any fixed or minimum premium payable on maturity) in respect of or arising under:

(a) moneys borrowed (including overdrafts); or

(b) moneys raised including moneys raised under or pursuant to any debenture, bond (other than a performance or advance payment bond or other similar instrument issued in the ordinary course of trading), note or loan stock or other similar instrument; or

(c) any acceptance credit (or dematerialised equivalent); or

(d) receivables sold or discounted (otherwise than on a non-recourse basis and only to the extent of any recourse); or

(e) the acquisition cost of any asset to the extent payable more than 180 days after the time of acquisition or possession by the person liable as principal obligor for the payment thereof (or, if the relevant supplier customarily allows a period for payment, if later, the date 180 days after the expiry of that period, but only to the extent payment on such later date would not be in breach of the terms of any relevant contract with that supplier) or where the deferred payment is arranged primarily as a method of raising finance or financing the acquisition of the asset acquired (for the avoidance of doubt excluding where the payment deferral results from the delayed or non-satisfaction of contract terms by the supplier or from contract terms establishing payment schedules tied to total or partial contract completion and/or to the results of operational testing procedures and excluding, for the avoidance of doubt, earn outs and other contingent consideration arrangements); or

(f) the sale price of any asset to the extent paid by the person liable more than 180 days before the time of sale or delivery or where the advance payment is arranged primarily as a method of raising finance (except any such arrangement entered into in the ordinary course of trading); or

(g) finance leases, capital leases, credit sale or conditional sale agreements (whether in respect of land, buildings, plant, machinery, equipment or otherwise) which are treated as finance leases or capital leases in accordance with the Accounting Principles (but only to the extent of such treatment); or

(h) [reserved]; or

(i) the amount payable by any member of the Optics Group to any person which is not a member of the Optics Group in respect of the redemption of any share capital or other securities

convertible into share capital issued by it or any other member of the Optics Group (other than in connection with any MEP, incentive scheme or similar arrangement); or

(j) amounts raised under any other transaction not of a type or nature contemplated by the other paragraphs of this definition having the commercial effect of a borrowing and required to be accounted for as such under the Accounting Principles; or

(k) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby letter of credit or other instrument issued by a bank or financial institution, in each case in respect of an underlying liability of an entity which is not a member of the Optics Group which would fall within one of the other paragraphs of this definition; or

(l) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any indebtedness falling within paragraphs (a) to (k) inclusive of this definition,

and so that, where the amount of Financial Indebtedness falls to be calculated or where the existence (or otherwise) of any Financial Indebtedness is to be established:

(A) Financial Indebtedness owed by one member of the Optics Group to another member of the Optics Group shall not be taken into account);

(B) in relation to any bank accounts subject to netting, cash pooling, net balance, balance transfer or similar arrangements, only the net balance shall be used;

(C) no amount due or outstanding in respect of any Equity Contribution shall be taken into account; and

(D) no pension scheme or other post-employment benefit scheme liabilities shall be taken into account.

"**Holding Company**" means, in relation to any person, any other person in respect of which it is a subsidiary.

"**Interest**" means interest and amounts in the nature of interest paid or payable in cash in respect of any Borrowings including, without limitation:

(a) the interest element of any lease, hire purchase or similar agreement but excluding only those leases that are accounted for as investment property under IAS 40;

(b) discount and acceptance fees payable (or deducted) in respect of any Borrowings;

(c) fees payable in connection with the issue or maintenance of any bond, letter of credit, guarantee or other assurance against financial loss, in each case which constitutes Borrowings and is issued by a third party on behalf of the relevant person;

(d) repayment and prepayment premiums payable or incurred in repaying or prepaying any Borrowings; and

(e) commitment, utilisation and non-utilisation fees payable or incurred in respect of Borrowings, but excluding:

(i) any agency, arrangement, underwriting, amendment, consent or other front-end fee in respect of any Borrowings or any letter of credit and any commitment fee to the extent included in the Transaction Costs (but for the avoidance of doubt, not excluding any commitment fees applicable to the revolving facility);

(ii) any pay-in-kind interest and any interest accrued on any shareholder loan or other subordinated loan;

(iii) any fees, costs and expenses incurred in connection with the raising of any indebtedness and any amortisation thereof;

(iv) any original issue discount applied in connection with any indebtedness and any amortisation thereof;

(v) any non-cash gains or losses arising in respect of any financial instrument (other than any derivative instrument which is accounted for on a hedge accounting basis);

(vi) any realised gains or losses arising in respect of any derivative which is operational in nature (and not related to Borrowings);

(vii) unrealised foreign exchange gains or losses in relation to retranslation of currency debt; and

(viii) any notional interest accrued on any pension scheme liabilities.

"**Interest Income**" means, for any period, the amount of Interest accrued (whether or not received) due to members of the Optics Group during such period (including in each case, without limitation, interest on cash deposits and cash equivalents).

"**Interest Payable**" means, for any period, the aggregate of Interest accrued (whether or not paid) in respect of any Borrowings of any member of the Optics Group, but excluding in each case any capitalised interest, any dividends on preference shares, any interest element on postemployment benefit schemes under IAS19, any interest cost or expected return on plan assets in relation to any post-employment benefit scheme, (unless the payment of such interest is guaranteed by one or more other members of the Optics Group which are not Subsidiaries of the entity primarily liable for such interest) the pro rata share of any Interest payable by a member of the Optics Group which is attributable to any third party (not being a member of the Optics Group) which is a shareholder (or holds an equivalent ownership interest) in a member of the Optics Group, Transaction Costs (and any amortisation thereof) and any other fees, costs and expenses incurred in connection with the raising of any Borrowings (and any amortisation thereof) and provided further that the amount of accrued Interest shall be stated so as to take into account the effect of any hedging agreements in respect of Interest (including, in so far as they relate to Interest, currency hedging arrangements and any interest payable under any investment hedging arrangements) entered into by the Optics Group.

"**Measurement Period**" means, at the option of Optics, either the period of (i) the most recent six month period ending prior to the date of such determination for which internal consolidated financial statements of Optics are available multiplied by 2.0 or (ii) the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of Optics are available.

"**MEP**" means any management incentive or employee benefit scheme (or other similar arrangement) implemented or to be implemented with respect to shares in Optics or any of its Holding Companies or any member of the Netco Group.

"**Net Income**" means, for any period, consolidated net income of the Optics Group for such period.

"**Relevant EBITDA**" means Adjusted Reported EBITDA as determined by Optics for the most recently ended Measurement Period for which Optics has sufficient available information so as to be able to determine Adjusted Reported EBITDA and as may be adjusted in accordance with Condition 3.7 (*Calculation of Ratios*).

"**Service Agreements**" means each recharge, advisory services, transaction services or other similar agreement entered into or to be entered into between the Reference Shareholders (and/or their Affiliates or direct or indirect shareholders in Optics) and one or more members of the Optics Group.

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) and "Taxes" and "Taxation" shall be construed accordingly.

"**Transaction Costs**" means all fees, costs and expenses and stamp, transfer, registration, notarial and other Taxes incurred by a member of the Optics Group directly or indirectly in connection with the Transactions, any reorganisation and/or any amounts in connection with the refinancing of indebtedness or other obligations of the Optics Group.

6.6 **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, the Registrar or the Principal Paying Agent may approve and in such manner as the Trustee, the Registrar or the Principal Paying Agent may deem appropriate and fair, not more than 60 days before the date fixed for redemption. Notice of any such selection will be given not less than 10 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 certificate numbers of the Notes called for redemption, the certificate 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.

6.7 **Purchases**

Optics and any of its Subsidiaries (as defined above) may at any time purchase Notes in the open market or otherwise at any price. Such Notes may be held, reissued, resold or, at the option of Optics, surrendered to any Paying Agent for cancellation.

6.8 **Cancellations**

Certificates representing Notes purchased by or on behalf of Optics or any of its Subsidiaries may be surrendered for cancellation by surrendering each such Certificate to the Registrar and if so surrendered, shall, together with all Notes redeemed by Optics, be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of Optics in respect of any such Notes shall be discharged. Any Notes not so surrendered for cancellation may be reissued or resold.

6.9 **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 Optics (Make-Whole Call)*) and Condition 6.4 (*Redemption at the Option of Optics (Issuer Par Call)*) above, Optics shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

7. **Taxation**

7.1 **Additional Amounts**

All payments made by or on behalf of Optics, NetCo or any other Guarantor (including, in each case, any successor entity thereof) (each, a "**Payor**") under or with respect to the Notes will be made without withholding or deduction for, or on account of, any present or future Taxes unless such withholding or deduction of such Taxes is required by law (including any taxing authority's interpretation or administration thereof). If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any Tax Jurisdiction (as defined below) will at any time be required to be made from any payments made by or on behalf of a Payor under or with respect to the Notes, including payments of principal, redemption premium or interest, the Payor will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received, after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction; except that no Additional Amounts shall be payable:

(a) to or for a Noteholder (or a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Noteholder, if the relevant Noteholder is an estate, nominee, trust, partnership, limited liability company or corporation or any collective vehicle

where tax is imposed or allocated to its owners) who is liable for such Taxes in respect of such Note by reason of having or having had some present or former connection with the relevant Tax Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Tax Jurisdiction) in which such Taxes are imposed other than the mere acquisition, holding or enforcement (following an Event of Default) of such Note or the receipt of any payment in respect thereof; or

(b) to or for a Noteholder in respect of any Tax (that is imposed or withheld by reason of the failure by the Noteholder, to comply with a reasonable written request of the applicable withholding agent addressed to the Noteholder, after reasonable notice (at least 30 days before any such withholding or deduction is payable): (i) to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Noteholder; or (ii) to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which, in the case of (i) or (ii) (or both), is required by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction or withholding of, all or part of such Tax but only to the extent the Noteholder is legally entitled to provide such certification or documentation; or

(c) in respect of any Note in respect of which the certificate representing it is presented for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that a Noteholder would have been entitled to an Additional Amount on surrendering the Certificate representing the same for payment on such thirtieth day; or

(d) in respect of any Note in respect of which the certificate representing it is presented for payment (where presentation is required) by or on behalf of a Noteholder not resident for tax purposes in a State included in the list of countries which allow for a satisfactory exchange of information with Italy, currently provided for by Italian Ministerial Decree dated 4 September 1996, as amended and supplemented (the "**White List**"); or

(e) in respect of any Taxes that are payable otherwise than by deduction or withholding from a payment with respect to the Notes; or

(f) in respect of any estate, inheritance, gift, sales, transfer, personal property or similar Tax or excise Taxes imposed on transfer of the Notes; or

(g) in respect of any Taxes to the extent such Taxes are for or on account of *imposta sostitutiva* pursuant to Decree No. 239 and any related implementing regulations, and pursuant to Decree No. 461 and any related implementing regulations, except where the procedures required under Decree 239/1996, in order to benefit from an exemption, have not been complied with due only to the actions or omissions of Optics or its agents.

For the avoidance of doubt, no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the Noteholder becomes subject to *imposta sostitutiva* after the Optics Notes Issue Date by reason of amendments to the White List whereby such Noteholder's country of residence does not appear on the aforesaid amended or new list; or

(h) to a Noteholder that is a fiduciary, partnership or Person other than the sole beneficial owner to the extent that a payment would be required to be included in the income under the tax laws of a relevant Tax Jurisdiction of a beneficiary or settlor with respect to the fiduciary, or a partner of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Noteholder thereof; or

(i) any combination of the items (a) through (h) above.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes by or on behalf of Optics will be paid net of any deduction or withholding 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**"). Neither Optics nor any other Person will be required to pay Additional Amounts on account of any FATCA Withholding.

In addition to the foregoing, Optics will also bear and pay any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes, which are levied on the execution, delivery, issuance, registration or enforcement (following an Event of Default) of the Notes, the Trust Deed or any other document or instrument referred to therein (other than in each case: (a) in connection with a transfer of the Notes after this issuance of the Notes other than the initial resale; or (b) to the extent that such stamp, issue, registration court or documentary Taxes, or any other excise, property or similar Taxes become payable upon a voluntary registration made by the Noteholder if such registration is not required by any applicable law or not necessary to enforce the rights or obligations of any Noteholder in relation to the Notes, the Trust Deed or any other document or instrument referred to therein).

If Optics becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes, Optics will deliver to the Trustee (with a copy to the Principal Paying Agent) on a date at least 30 days prior to the date of payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case Optics shall notify the Trustee promptly thereafter) an officer's certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Trustee shall be entitled to rely solely on such officer's certificate as conclusive proof that such payments are necessary.

The above obligations will survive any termination, defeasance or discharge of the Trust Deed and will apply, *mutatis mutandis*, to any successor Person to Optics.

Any references in these Conditions or in the Trust Deed to any amounts in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable in respect thereof. As used herein:

(a) "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due, but if the full amount of the monies payable has not been received by the Trustee or, as the case may be, the Principal Paying Agent, on or prior to such due date, it means the first date on which, the full amount of such monies having been so received, notice to that effect has been duly given to the Noteholders;

(b) "**Tax**" or "**Taxes**" means any present or future taxes or duties, assessments or governmental charges of whatever nature (including any penalties, interest and other additions thereto); and

(c) "**Tax Jurisdiction**" means the Republic of Italy and any other taxing jurisdiction in which a Payor is organized or tax resident, or any political subdivision or any authority thereof or therein having power to tax, and any jurisdiction from or through which payment with respect to the Notes is made by or on behalf of a Payor.

8. Prescription

Notes 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 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 30% 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 sub-paragraph 9(a) below, the Trustee shall have certified in writing to Optics that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to Optics 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*: Optics or any Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed (including in relation to a Guarantor, any of its obligations under its Notes Guarantee) and the failure continues for the period of 60 days next following the service by the Trustee on Optics of notice requiring the same to be remedied; or

(c) *Cross-default of Optics*:

(i) any Capital Markets Indebtedness of Optics or any Guarantor 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) Optics or any Guarantor 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 Optics or any Guarantor is enforced by the lenders and such enforcement is not contested in good faith by Optics or any Guarantor or Optics or any Guarantor publicly announces its inability to meet its financial obligations; or

(d) *Insolvency*:

(i) a court opens insolvency or equivalent proceedings against Optics or any Guarantor 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 Optics or any Guarantor applies for such insolvency or equivalent proceedings; or

(ii) Optics or any Guarantor 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 Optics, in connection with the Notes and the Trust Deed; or

(e) *Guarantee*: any of the Guarantees is not (or is claimed by the relevant Guarantor not to be) in full force and effect; or

(f) *Security interest*: any security interest under the Security Documents on any material Collateral having a fair market value in excess of €50 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Trust Deed) for any reason other than the satisfaction in full of all obligations under the Notes or the release or amendment of any such security interest in accordance with the Conditions, the Intercreditor Agreement, any Additional Intercreditor Agreement or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable in a final non-appealable decision of a court of competent jurisdiction or Optics shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days.

10. **Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against Optics as it may think fit to enforce the provisions of the Trust Deed and the Notes, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed or the Notes unless: (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least 30% in aggregate 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 shall be entitled to

proceed directly against Optics unless the Trustee, having become bound so to proceed fails or is unable so to do within 60 days, and the failure or inability shall be continuing.

11. Replacement of Certificates

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by Optics for that purposes and notice of whose designation is given to the Noteholders, in each case upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as Optics may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Notices

Notices required to be given to the holders of Notes pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. All notices regarding the Notes shall also be given by publication 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*. Optics 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

In addition to the Push-Down Merger, the Trustee may, without the consent of the Noteholders, agree with Optics to the substitution in place of Optics (or of any previous substitute under this Condition 13) as the principal debtor under the Notes and the Trust Deed of another company, being any entity that may succeed to, or to which Optics (or any previous substitute under this Condition 13) may transfer, all or substantially all of the assets and business of Optics (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 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 or abrogation of these Conditions or of any provisions of the Trust Deed by Extraordinary Resolution. The above provisions are subject to compliance with mandatory laws, rules and regulations of the Republic of Italy in force from time to time and, where applicable Italian law so requires, Optics' by-laws.

The quorum and the majorities for passing resolutions at any such meetings shall be subject to the applicable provisions of applicable Italian laws (including the Italian Civil Code) and Optics' by-laws.

An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all Noteholders, whether or not they are present at the meeting. In accordance with the Italian Civil Code, a *rappresentante comune* (the "**Noteholders' Representative**"), being a joint representative of Noteholders, may be appointed in accordance with article 2417 of the Italian Civil Code in order to, *inter alia*, represent the Noteholders' interest and to give execution to the resolutions of the meeting of the Noteholders. The appointment of the Noteholders' Representative has a term of maximum three financial years from the appointment, which may be renewed by mutual agreement between the Noteholders at the time of renewal and Noteholders' Representative.

14.2 **Waiver, Authorisation, Determination and Exercise by the Trustee of Discretions Etc.**

The Trustee may agree, without the consent of the Noteholders, 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. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee otherwise agrees, any such modification shall be notified by Optics to the Noteholders in accordance with Condition 14.3 as soon as practicable thereafter.

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 whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (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 be entitled to claim, from Optics, the Trustee or any other Person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders except to the extent already provided for in Condition 7 (*Taxation*) or Condition 3.2 (*Mergers and Similar Events*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) or Condition 3.2 (*Mergers and Similar Events*) pursuant to the Trust Deed.

A modification or waiver which relates to specific rights or obligations of the Trustee may not be effected without the consent of the Trustee.

14.3 **Notification to the Noteholders**

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by Optics to the Noteholders as soon as practicable thereafter in accordance with Condition 12 (*Notices*).

15. **Indemnification of the Trustee and Trustee Contracting with Optics**

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 and/or secured and/or prefunded 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 Optics 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, Optics 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; 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.

Subject to the terms of the Trust Deed, the Trustee may rely without liability to Noteholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on Optics, the Trustee and the Noteholders.

16. **Further Issues**

Optics may from time to time without the consent of the Noteholders 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 and the Notes and any non-contractual obligations arising out of or in connection with the Trust Deed and the Notes are governed by, and construed in accordance with, English law save that provisions in these Conditions and in the Trust Deed relating to Noteholders' meetings, the *mandatario con rappresentanza* pursuant to articles 1703, 1704 *et seq.* of the Italian Civil Code, the *rappresentante* pursuant to article 2414-*bis*, paragraph 3 of the Italian Civil Code and the *rappresentante comune* pursuant to articles 2417 and 2418 of the Italian Civil Code are subject to compliance with mandatory provisions of Italian law.

17.2 Submission to Jurisdiction

English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed or the Notes, 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 or the Notes (a "**Dispute**") and each of Optics, the Trustee and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

For the purposes of this Condition, each of Optics, the Trustee and any Noteholders 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

Optics irrevocably appoints Law Debenture Corporate Services Limited, at 8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG, 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 Law Debenture Corporate Services 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. Optics 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

Optics 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.

APPENDIX C

(GLOSSARY)

Below is a list of the main technical terms used in this Exchange Offer Memorandum. These terms, unless otherwise specified, have the following meanings. For the terms below, whenever required by the context, the singular form includes plural form and vice versa.

2G (second-generation Mobile System)

Second-generation mobile systems using digital encoding and including GSM, D-AMPS (TDMA) and CDMA. 2G networks are in current use all over Europe and other parts of the world. These systems support voice and limited data communications, as well as auxiliary services such as fax and SMS.

3G (third-generation Mobile System)

Third-generation wireless system, designed to provide high data speeds, always-on data access, and greater voice capacity. 3G networks allow the transfer of both traditional communication services (telephony, messaging) and data (such as downloading Internet information, exchanging email, and instant messaging). The high data speeds, measured in Mbps, are significantly higher than 2G. 3G networks technology enable mobile video, high-speed Internet access. The standards of the 3G technology include UMTS, based on WCDMA technology (quite often the two terms are often used interchangeably) and CDMA2000.

4G (fourth-generation Mobile System)

Fourth-generation systems are designed to provide, in addition to legacy services, mobile broadband Internet access to several kinds of devices such as laptops with wireless modems, smartphones, tablets, and other mobile devices. Current and future applications include mobile web access, IP telephony, gaming services, high-definition mobile video, video conferencing, Internet of Things and cloud computing applications. 4G standards include LTE e LTE-A (LTE-Advanced). LTE offers a higher spectral efficiency in bits per Hertz and download bandwidth up to 150 Mbit/s per cell reducing the latency time. LTE enables services that require high interactivity (*e.g.*, gaming, video conferencing). A further development of LTE, called "LTE Advanced," is being implemented and will allow reaching even higher bitrates in download.

5G (fifth-generation Mobile System)

The term 5G indicates the set of technologies whose standards define the fifth generation of mobile telephony with a significant evolution compared to 4G / IMT-Advanced technology. Its global distribution started in 2019. The main elements of the 5G network are:

- Gbit-rate significantly higher than 4G in larger spectrum bandwidth (up to tens of Gbit/s over hundreds of MHz) to ensure greater quality of service, for innovative services such as video download and live streaming;
- ultra-low latency in the order of milliseconds;
- possibility of connecting simultaneously hundreds of thousands of objects (Internet of Things): wearable technologies, automatic systems for traffic control, assisted driving for vehicles, home automation;
- ability to connect moving vehicles at higher speeds.

5G SA

The standalone (SA) mode refers to a 5G deployment option based only on one 5G RAT (i.e. NR or LTE) without cooperation with another RAT, connected to a 5G Core Network.

ADSL (Asymmetric Digital Subscriber Line)

Technology that transforms through a modem the traditional copper fixed line into a high-speed digital connection for the transfer of multimedia data. ADSL is an asymmetrical technology used to achieve broadband transmission.

AGCOM (*Autorità per le Garanzie nelle Comunicazioni*) or Italian Communications Authority

AGCOM is an independent and autonomous authority and has been established by Italian Law No. 249 of 1997. AGCOM is primarily a regulatory authority: the establishing law entrusts AGCOM with the dual task of ensuring fair competition among market operators and protecting the fundamental freedoms of users.

AGCOM is a "convergent" authority, meaning that it performs regulatory and supervisory functions in the sectors of electronic communications, broadcasting, publishing, postal services and, more recently, online platforms.

Like other Italian authorities provided for by the Italian legal system, AGCOM is accountable for its actions to the Italian Parliament, which has established its powers, defined its statute and elected its members.

AI (Artificial Intelligence)

Ability of a technological system to solve problems and carry out tasks and activities typical of the mind and human behavior. In the computer science field, it is the discipline that deals with creating machines (hardware and software) able to "act" autonomously (solve problems, perform actions, etc.).

ASP (Access Service Provider)

A company engaged in the business of providing Internet access services to consumers by way of a physical network.

ATM (Asynchronous Transfer Mode)

A network protocol through which the transfer of data is achieved using the encapsulation of fixed length (53 bytes) data units, called cells, instead of variable-length packets as is the case in packet-switched networks.

Automation

This term identifies technologies for automated equipment, systems and processes automation, reducing the need for human intervention and simplifying network setup and maintenance activities.

Backbone

Portion of the telecommunication network that supports long-distance connections and aggregates large amount of traffic and from which the connections for serving specific local areas depart.

Backhauling

It refers to the interface between the radio access node and the core network.

Big Data

Big data is a term used to describe the set of technologies and methods for massive data analysis. The term indicates the ability to extrapolate, analyze and relate a huge amount of heterogeneous, structured and unstructured data, to discover the links between different phenomena and predict the future ones.

Bitstream access

Wholesale interconnection services which consist in the supply by a dominant telecommunications operator (incumbent) of access transmission capacity between an end customer and an interconnection point of another operator (OLO).

Blockchain

The Blockchain represents an innovative technology for structuring data and information with sharing on the network; a blockchain system is like a distributed database or virtual register, structured as a chain of blocks (hence the term blockchain) containing the transactions, and whose validation is entrusted to a consensus mechanism distributed on all the nodes of the network participating to the chain. The main characteristics of blockchain are the immutability of the registry, the traceability of transactions and the security based on advanced cryptographic techniques. Blockchain technologies are currently used to support global supply chains, financial transactions (*e.g.*, BitCoin), accounting assets and distributed social networks.

Broadband

Includes network technologies that allow a transmission speed of at least 2 Mbit/s. These speeds are made available both on the fixed copper network, starting with ADSL technology, and on the mobile network starting with third generation systems. Broadband services include both data and voice services. Data services include high-speed Internet access, the ability to download audio and video files, point-to-point and multi-point interactive video services (video calling and video conferencing), video on demand and (download and streaming) television programs.

Broadcast

Simultaneous transmission of the same information to all nodes and terminal equipment of a network.

BSS (Business Support System)

The system used by network operators to manage business operations such as billing, sales management, customer-service management and customer databases.

Bundle

Commercial offer including multiple telecommunications services (voice, broadband Internet, IPTV, other) by an operator under the same commercial brand. Dual Play bundle includes fixed telecommunication services and broadband Internet; Triple Play bundle is the “dual play bundle” integrated with IPTV; Quadruple Play bundle is the “bundle triple play” integrated with mobile telecommunication services.

Carrier

Telecommunication services operator, providing a transport of communication services by means of its physical telecommunication network.

CDMA (Code Division Multiple Access)

CDMA is a channel multiple access method used in radio communication. First radio systems based on CDMA were developed by Qualcomm, and commercially introduced in 1995. It enables the simultaneous transmission on the same channel of multiple signals, each of which is uniquely coded to distinguish it from the other messages.

CDN (Content Delivery Network)

Content Delivery Networks, are content distribution systems (especially large multimedia contents, such as IPTV) managed by a service provider for the provision of audio streaming services and video, with better quality towards customers.

CDP (formerly Carbon Disclosure Project)

International initiative that encourages companies to focus on the management of the risks and opportunities emerging from climate change.

Cell

Geographical portion of territory illuminated by a radio base station.

Central Office

A building where the copper wires or optical fibers that make up the access network, reaching the customers, originate from. It hosts equipment for telephony services ('*Stadio di Linea*' in TIM terms), broadband services (DSLAM) and possibly ultrabroadband services (OLT). Some COs also host equipment of higher hierarchical rank (SGU for telephony, router for data services), and those COs also collect traffic from the other COs which are not so equipped.

Channel

The portion of a communications system that connects a source to one or more destinations by means of transmission media and optical, electric, electromagnetic signals.

Cloud

The term Cloud is used as an abbreviation of the concept of "Cloud Computing," i.e. a model of consumption of processing resources (for example networks, servers, memory, applications and services) through the network; with the Cloud, the end customer, otherwise defined as cloud consumer, is allowed to access, widespread, easy and on-demand to a shared and configurable set of resources that can be quickly acquired and released with minimal management or interactions with the service provider. The Cloud model is made up of five essential features: 1) Self Service on customer request, 2) broad-network access, 3) resource sharing, 4) elasticity/automation in resource demand, 5) certified SLAs, three service models (see also SaaS, PaaS and IaaS) and four distribution/deployment models (private, public, hybrid and communities).

Colocation

a service to provide space, connectivity and ancillary services to host telecommunication operators' infrastructures so that they can provide their own access services to broadband/ultrabroadband, and interconnection services, of fixed and mobile networks, using the network operator's exchanges, primary/secondary network and transport network.

CO_2 - Carbon Dioxide

Carbon dioxide is one of the major greenhouse gases. It is linked to industrial processes and is the product of combustion especially as the result of the use of fossil fuels.

CSP (Communications Services Provider)

A communications service providers, or CSP, offers telecommunications services or some combination of information and media services, content, entertainment and application services over networks, leveraging the network infrastructure as a rich, functional platform.

Cybersecurity

It deals with the analysis of threats, vulnerabilities and the risk associated to Internet-connected systems, including hardware, software and data, to protect them from the attempt to expose, alter, disable, destroy, steal or gain unauthorized access or make unauthorized use of an asset.

Dark Fiber

Dark fiber are fiber optic cables that are unused or "unlit." This means that these cables are waiting to be leased out to fixed, mobile and wireless network operators who intend to implement a network solution, such as metropolitan networks to connect two or more POPs together, connections to link radio sites to traffic concentration nodes or a backbone or an entire proprietary transport network.

Data Center

The Data Center is the department of a company that hosts and manages back-end IT systems and data repositories: so, its mainframes, servers, databases, etc. In the past, this type of management and control was in a single physical place, hence the name of data center. The development of new distributed computing technologies has inaugurated new management criteria that see more data centers located/distributed at both a physical and virtual level.

Decommissioning

The term decommissioning means the disposal of the oldest technological solutions (legacy or obsolete) in order to rationalize and simplify the current Telecommunication networks with the aim of optimizing investments and improving the quality and time-to-market of services.

Digital divide

The gap between people with effective access to digital and information technology and those with very limited or no access at all. The term encompasses among other things: gaps in ownership of or regular access to a computer, or Internet access due to being located in geographical areas with no broadband connectivity.

DSLAM (Digital Subscriber Line Access Multiplexer)

DSLAM denotes equipment multiplier of digital access lines able to process digital signals of various clients with xDSL lines and multiply them in a high rate data link to the nodes of the Internet.

DSS (Dynamic spectrum sharing)

Dynamic Spectrum Sharing (DSS for short) is a new antenna technology that for the first time enables the parallel use of LTE and 5G in the same frequency band. The technology determines the demand for 5G and LTE in real-time.

EDGE (Enhanced Data for GSM Evolution)

It is a technology that increases the speed of data transmission of the GPRS the standard from 30-40 Kbit /s to 400 Kbit / s in the best radio transmission condition.

Edge (Network Edge)

It is a segment of the network lying between access and core, wherein service functions are located (such as, *e.g.*, those performed by BRAS). Depending on the context, it may be quite distributed *e.g.*, to the level of mobile Base Station, or less distributed *e.g.*, at the edge of the backbone.

Edge cloud

It refers to a cloud infrastructure deployed at the network edge. An Edge Cloud architecture is used to decentralize (processing) power to the edges (clients/devices) of the network.

EPON (Ethernet PON)

EPON also known as Gigabit Ethernet PON or GEPON, is a type of pure optical fiber that uses a symmetrical pattern in both downstream and upstream and can reach a maximum of 10 Gigabits per second of transmission. IEEE standardized solution.

ESG (Environmental, Social and Governance)

Environmental, social, and corporate governance (ESG) is a strategic framework for identifying, assessing, and addressing organizational objectives and activities ranging from the company’s carbon footprint and commitment to sustainability, diversity and inclusion, to its overall ethos regarding corporate risks and practices.

eSIM (embedded SIM)

It represents the evolution of the SIM: it is an integrated circuit embedded directly inside a device and consequently not extractable and not replaceable, but remotely managed through the functionality of the device itself.

Ethernet

Family of computer networking technologies for local area networks (LANs) and metropolitan area networks (MANs).

FDD (Frequency Division Duplex)

Frequency-division duplexing (FDD) is a method for establishing a full-duplex communications link that uses two different radio frequencies for transmitter and receiver operation. FDD operation normally assigns the transmitter and receiver to different communication channels.

FTTx (Fiber To The x)

It is the term used to indicate any network architecture that uses fiber optic cabling in telecommunications access networks to replace, partially or totally, traditional copper cables. The various technological solutions differ in the point of the distribution network where the fiber connection is made, with respect to the end- user's location. In the case of FTTC (Fiber to the Cabinet) the fiber connection reaches the equipment (distribution cabinet) located on the sidewalk, from where copper connections are run to the customer; in the case of FTTB (Fiber to the Building) the fiber arrives at the base of the building to a distribution box from where the vertical copper connection starts; in the case of FTTH (Fiber to the Home), the fiber connection terminates inside the customer premises. In the case of FTTO (Fiber to the Office), the TIM Group means a solution towards the Office, while FTTR (Fiber To The Room), the TIM Group intends to arrive with the fiber in different rooms of the house.

FWA (Fixed Wireless Access)

Fixed Wireless Access refers to a set of transmission systems developed to exploit specific frequencies of the radio spectrum in order to provide fixed broadband connectivity services (with nominal connection speeds equal to 1 Gbps).

GPON (Gigabit capable Passive Optical Network)

A passive optical network (PON) is a network architecture that brings fiber cabling to the customer's home using a point-to-multipoint scheme, based on passive optical splitters, to serve multiple rooms with a single optical fiber. GPON is part of a set of PON standards (defined in ITU), which differ according to the maximum overall speed achievable within each optical shaft, a structure often shared with 64 users. In the case of GPON, the maximum speed is about 2.5 Gbps downstream and 1.25 Gbps upstream, shared with a predetermined number of users, which can reach up to 128. Each of the connected lines will then have a maximum nominal speed set by the operator, for example 1 Gbps in download. The other types of GPON standards are:

- XG-PON 10 Gbit/s downstream and 2,5 Gbit/s upstream
- XGS-PON maximum speed 10 Gbit/s downstream and 10 Gbit/s upstream
- NG PON2 maximum speed 40 Gbit/s downstream and 10 Gbit/s in upstream.

GPRS (General Packet Radio System)

Packet switched system to efficiently transmit data over 2G cellular networks.

GSM (Global System for Mobile Communication)

A worldwide standard for digital cellular telephony working on the 900 MHz and 1800 MHz bands. It belongs to the Second Generation (2G) of mobile systems.

Housing

Leasing of physical space to customers, which is managed within a data center for the installation of their own equipment or servers.

HSPA (High Speed Packet Access)

Evolution of UMTS, which enables broadband mobile data both in Downstream (HSDPA) and Uplink (HSUPA), up to 42 Mb/s and 5.76 Mb/s, respectively.

IaaS (Infrastructure as a Service)

Through a Cloud IaaS offer (Infrastructure as a Service, see also Cloud models), a consumer acquires from a Cloud Provider in a flexible and dynamic way computing, memory, network resources and other fundamental calculation resources, through which the customer can develop and run arbitrary software, including operating systems and applications. The consumer does not manage or control the underlying Cloud infrastructure, but controls operating systems, memory, applications and possibly, in a limited way, some network components (*e.g.*, firewalls).

ICT (Information and communication(s) technology)

Broad area concerned with information technology, telecommunications networks and services and other aspects of managing and processing information, especially in large organizations.

IMS (IP Multimedia Subsystem)

It is the architecture for providing IP Multimedia services, i.e. voice/video/text/etc communications over IP networks. It comprises all the network elements related to signaling and media flow handling.

IMSI (International Mobile Subscriber Identity)

The International Mobile Subscriber Identity is a unique identifier associated with a SIM card in cellular networks.

Interconnection

Interconnection refers to the physical and logical connection among public telecommunication networks belonging to different operators, in order to enable users of an operator to communicate with users of the same or a different operator, or to access services provided by another operator.

Internet

Global network for networks interconnection based on a common protocol suite, i.e. TCP/IP, which is the language by which connected equipment (hots) are able to communicate.

Internet of Things

The Internet of Things refers to the extension of Internet to the world of objects (devices, equipment, systems), which become recognizable and acquire intelligence thanks to the fact that they can communicate data about themselves and access aggregate information from part of others. There are many fields of applicability: from industrial applications (production processes), logistics and infomobility, to energy efficiency, remote assistance and environmental protection.

IP (Internet Protocol)

A connectionless data routing protocol, used for data transmission on both public and private networks, in particular over the Internet.

IPTV (Internet Protocol Television)

A system that utilizes the Internet Protocol infrastructure to transmit digital television content over a network and deliver it via a broadband Internet connection.

IRU

Indefeasible rights of use.

ISPs (Internet Service Provider)

A vendor who provides access to the Internet and World Wide Web.Jitter

In electronics and telecommunications jitter indicates the variation of one or more characteristics of a signal such as, amplitude, frequency, phase, transmission delay. The causes leading to jitter must be kept at the center of the design of electronic systems and components in which signal integrity is a strict constraint.

KPI (Key Performance Indicator)

Measurable performance indicators that allow the performance of a specific activity to be evaluated.

LAN (Local Area Network)

A private network that covers a local geographic area and provides telecommunications services as well as interconnection between personal computers.

Latency

The latency of a system can be defined as the time interval between the time the input arrives to the system and the time when its output is available. In other words, latency is nothing more than a measure of the speed of response of a system.

LEOS (Low Earth Orbit Satellite) network

A LEOS network refers to a system of satellites that orbit relatively close to Earth's surface. These satellites have the advantage of lower latency and faster communication compared to those in higher orbits due to their proximity to the Earth's surface. LEOS networks are commonly used for various applications, including telecommunications, internet services, Earth observation, and global positioning systems. The constellation of LEO satellites can provide extensive coverage, often enabling global communication capabilities.

LLU (Local Loop Unbundling)

Service by which operators other than TIM can lease the local loop, i.e. the wire connection between the TIM local exchange and the customer's premises.

Local Loop (Twisted Pair)

Twisted pair of copper wires through which the telephone connection reaches users; it is the foundation of traditional telephone lines and it is often called the "last mile."

LTE (Long Term Evolution)

See 4G.

Machine Learning

It is the ability of computers to learn without having been explicitly and preventively programmed.

MBB (Mobile Broadband)

Mobile broadband data service on 3G / 4G-LTE network.

Multimedia

A service involving two or more communications media (*e.g.*, voice, video, text, etc.) and hybrid services created through their interaction.

MVNO (Mobile Virtual Network Operator)

MVNO is a mobile communications service provider that does not own the radio spectrum or wireless network infrastructure over which the MVNO provides services to its customers.

Net Neutrality

Net neutrality is the principle that Internet service providers should treat all data equally and not discriminate or charge differently based on user, content, website, platform, application, type of equipment, or method of communication.

Network

An interconnected system of elements. In a telephone network, these consist of switches connected to each other and to customer equipment. The transmission equipment may be based on fiber optic or metallic cables or radio connections.

NGAN (New Generation Access Network)

It can be realized with different technological solutions, typically fiber optic and VDSL pairs.

Node

Topological network junction, commonly a switching center or station.

Nodal Optical Center (Centro Nodale Ottico or CNO)

It is the point of flexibility in the PON architecture and separates the primary optical network from the secondary optical network. The CNO houses the optical divider and the splitters connected to the passive fiber optic network.

OAO (Other Authorized Operator)

Operators other than the incumbent one that provide services to their customers exploiting the fixed access network of the incumbent.

OLOs (Other Licensed Operators)

Companies other than the incumbent operator that operate telecommunications systems in a national market.

OLT (Optical Line Termination)

Optical element of the PON network (Passive Optical Network) that acts as an interface between the PON itself and the Backbone network. OLT is located in the central office.

Optical fiber (or fiber optics)

Thin glass, silica or plastic wires, building the base infrastructure for data transmission. An optical fiber cable contains several individual fibers, and each of them is capable of delivering a signal (light impulse) at almost unlimited bandwidth. Optical fibers are usually employed for long-distance communication: they can transfer “heavy” data loads protected from possible disturbances along the way. The driving capacity of optical fibers is higher than the traditional cable and copper twister-pair lines.

Open RAN (Open Radio Access Network)

It refers to Open RAN, an architecture for building the virtualized RAN on open hardware, with embedded AI-powered radio control. Such an architecture is based on well-defined, standardized interfaces to enable an open, interoperable supply chain ecosystem in full support of and complimentary to standards promoted by 3GPP and other industry standards organizations.

OTT (Over the Top) players

Operators offering contents and services on the Internet without owning the proprietary TLC network infrastructure.

Outsourcing

Entrusting an external party carrying out services and business operations. For example, it can be outsourced the planning, construction and hosting services of a telecommunications management system and, ultimately, the management of the entire telecommunications system.

PaaS (Platform as a Service)

The PaaS (Platform as a Service) represents one of the three Cloud offer service models; through a PaaS offer of a Cloud Provider, the consumer is given the opportunity to distribute applications created on their own, or acquired by third parties on the cloud infrastructure, using programming languages, libraries, services and tools supported by the supplier. The consumer does not manage or control the underlying cloud infrastructure, including network, servers, operating systems, memory, but has control over the applications and possibly the configurations of the environment that hosts them.

Penetration (market penetration)

It represents the number of people (or subscriber) who acquires goods / services of a particular brand or a particular category, divided by the population where the service is available.

PON

PON stands for "passive optical network" referring to the optical network composed by non-active components in all stages between the origin (local exchange) and the external sides (subscriber or clients).

POP (Point Of Presence)

The POP is a point of access to the network (router), provided by an Internet Service Provider (ISP), able to route traffic to end users connected to POP.

Price cap

Identifies the maximum price limit set by a regulator at which a service /product can be sold.

QoS (Quality of Service)

Quality of service (QoS) is the description or measurement of the overall performance of a service, such as a telephony or computer network, or a cloud computing service, particularly the performance seen by the users of the network. To quantitatively measure quality of service, several related aspects of the network service are often considered, such as packet loss, bit rate, throughput, transmission delay, availability, jitter, etc.

RF (Radio Frequency)

Radio frequency, or RF, is the oscillation rate of an alternating electric current or voltage or of a magnetic, electric or electromagnetic field or mechanical system in the frequency range from around 20 kHz to around 300 GHz.

RAN (Radio Access Network)

It is the part of mobile network that implements the radio technologies, comprising data transport functions over air interface and control functions.

RAN Sharing

Is the most comprehensive form of access network sharing. It involves the sharing of all access network equipment, including the antenna, tower and backhaul equipment. Each of the RAN access networks is incorporated into a single network, which is then split into separate networks at the point of connection to the core.

Reliability (or Availability) (A)

It is the probability of an object to perform a required function under certain operating conditions and at a given instant of time.

Roaming

Agreement among two or more Mobile Operators from different Countries, under which Users can use the mobile network of other Operators participating in the agreement.

The roaming service is activated for example when the terminal is used overseas and enables a mobile user to access a different network from the one to which he subscribes.

SaaS (Software as a Service)

As part of the Cloud offer service models (see also Cloud entry), the SaaS (Software as a Service) model expresses the faculty provided to the consumer to use a supplier's applications and services, operating on a cloud infrastructure. The applications are accessible from different devices through a light interface (*e.g.*, a thin client), such as an email application on a browser, or from programs with a specific interface. The consumer does not manage or control the underlying cloud infrastructure, including network, servers, operating systems, memory, and even the capabilities of individual applications, except for limited configurations intended for him.

SDK (Software Development Kit)

Software development kit is a collection of software development tools in one installable package to ease the creation of applications.

Service Orchestration

Service orchestration means a single centralized business process that can be performed by an orchestrator (*e.g.*, a SW platform) that coordinates the interaction between various services and is responsible for their invocation and composition, as well as the management of transactions between the individual services. Service orchestration is often compared to Service Choreography, which instead makes a decentralized approach to the composition of services, where each of the services participating in the choreography implements a self-consistent process / workflow.

Service Provider

The Service Provider offers to the Users (Residential or Business) that subscribe his offer, a range of contents and services.

SLU (Sub Loop Unbundling)

It consists in providing access to the local sub-section of the Operator copper network, in particular the section of the network between the user site and the distribution cabinet or an intermediate concentration point.).

Smartphone

Electronic device that combines the functions of a mobile phone and a handheld computer equipped with a complete operating system.

Smart Speaker

A smart speaker is a type of wireless speaker and voice command device with an integrated virtual assistant that offers interactive actions and hands-free activation. Smart speakers have the ability to stream audio content, relay information, communicate with other devices, and provide voice control for home automation.

Smart TV

The term Smart TV identifies the new generation of televisions which allows us to enjoy multimedia audio-video content (movies, TV series, music videos, gaming) through an Internet connection.

SMS (Short Message Service)

Short text messages that can be received and sent through GSM-network connected cellular phones. The maximum text length is 160 alpha-numerical characters.

SOHO (Small Office / Home Office)

Market segment consisting of businesses that use telephone lines to connect to the Internet, as opposed to dedicated lines, and is made up of small businesses, generally with one or two employees, and businesses conducted out of the home.

STB (Set-Top Box)

It is a customer device able to receive TV signals from a communication network (such as broadband/ultrabroadband access network, terrestrial broadcast, satellite broadcast, etc) and output them to TVs and other display devices (monitors, projectors, etc.). It may include Conditional Access functions to handle paid content.

Tablet

Portable computer with compact dimensions whose screen can be used to write or give commands with the touch of your fingers or using a specially designed stylus.

TDD (Time Division Duplexing)

Time division duplex (TDD) refers to duplex communication links where uplink is separated from downlink by the allocation of different time slots in the same frequency band. It is a transmission scheme that allows asymmetric flow for uplink and downlink data transmission.

TDMA (Time Division Multiple Access)

A technology for digital transmission of radio signals between, for example, a mobile phone and a radio base station. TDMA breaks signals into sequential pieces of defined length, places each piece into an information channel at specific intervals and then reconstructs the pieces at the end of the channel.

TTM or Time-To-Market

Time to market (TTM) is the total length of time it takes to bring a product from conception to market availability. Companies use time-to-market metrics during new product development (NPD) and new product introduction (NPI) as they strive to gain first-mover advantages (*e.g.*, market share, sales revenue).

UI (User Interface)

User Interface, or UI, is the space where interactions between humans and machines occur. The goal of this interaction is to allow effective operation and control of the machine from the human end, while the machine simultaneously provides feedback that aids the operators' decision-making process. In the context of computer systems and software, the user interface is typically what the user sees and interacts with on the screen, including the layout, visual design, text, brand elements and interactive elements like buttons and icons. UI design focuses on the user's visual experience and the design of on-screen graphic elements

Ultrabroadband or UBB

Includes all network technologies that offer connectivity from 30 Mbit/s to over 1 Gbit/s, referring in particular to the peak rate and not to the average available. The definition is related to the characteristics of the fixed and mobile access network. By increasing the capacity and the speed, Ultra Broadband technologies allow quicker access from multiple users to the content available on the net, also on the move, and to take advantage of high quality video up to Ultra HD and interactive gaming.

- Fixed ultrabroadband: includes access technologies that involve the use of optical fiber, known as FTTx.
- Mobile ultrabroadband: refers to the use of the HSPA mobile network (evolution of the 3G network), LTE and its evolutions and the 5G network.

Unbundling

It is the service offered by the incumbent to the alternative operator which consists of the rental of the local loop i.e. the wire connection between the local exchange and the customer's premises, so that the alternative operator is able to connect the twisted pair from the customer to its own equipment.

Universal Service

The obligation to supply basic service at an affordable price, or at special rates solely for subsidized users.

UX (User Experience)

User Experience, or UX, is a broad concept that includes the practical, experiential, affective, meaningful and valuable aspects of human-computer interaction and product ownership. It also includes a person's perceptions of system aspects such as utility, ease of use and efficiency. UX design is the process of creating products that provide meaningful and relevant experiences to users. This involves the design of the entire process of acquiring and integrating the product, including aspects of branding, design, usability and function.

V2X (Vehicle-to-Everything)

A technology that allows vehicles to communicate with other vehicles, infrastructure, and devices in order to improve safety, traffic efficiency, and overall mobility.

VAS (Value-Added Services)

Value Added Services provide a higher level of functionality than the basic transmission services offered by a telecommunications network. In PSTN and first generation mobile networks the basic service was telephony (switched voice calls, initially analog and later digital ones) while VAS could include data and fax transmission services, as well as call handling features such as call waiting, call forwarding, etc.

As time passed VAS based on call handling grew with further features such as toll-free calling, voice virtual private networks, etc. A new class of VAS also developed in mobile networks, including message handling services such as SMS and MMS. In parallel, development of data networks turned data transmission services (initially X25, then Frame Relay, ATM, Ethernet, IP) into basic services of those networks, on top of which there may be VAS such as address translation, data virtual lines and virtual networks, traffic priority, encryption, etc.

A further category of VAS is those based on contents of Service Providers linked to the network, beginning with contents provided on telephony network, going on with contents delivered via SMS (news, weather forecasts, etc) and contents provided via browsing from mobile and fixed terminals, and arriving to video.

VDSL (Very - high – data – rate Digital Subscriber Line)

Access technology that allows providers to give clients, by means of an apparatus installed in their homes, access to voice and TV services on the traditional telephone line with speeds of up to 50 Mbps in downstream.

VHCN (Very High Capacity Network)

High-performance, entirely fiber-optic networks that typically extend up to the central office, also known as the neutral delivery point (NDP). In terms of speed, a VHCN has a connection speed greater than 1 Gigabit/s for download on fixed networks and 100 Megabits/s on FWA networks. This term is usually associated with NGA networks.

Virtualization

An approach to implementation of functionality resorting only to software running on general purpose hardware generally not dedicated, as opposed to approaches resorting also to special purpose and/or dedicated hardware.

VLAN Virtual Local Area Network

A virtual local area network (VLAN) is a virtualized connection that connects multiple devices and network nodes from different LANs into one logical network.

VOD (Video On Demand)

TV-program offering on user's request, with payment of a fee for each purchased program (a movie, a soccer match, etc.). Broadcast specifically for cable and satellite TV. Possible purchasing models are SVOD (Subscription Video On Demand) or TVOD (Transactional Video On Demand also known as PPV pay per view)

VoIP (Voice Over IP)

A technology that allows transmission of voice communication over an Internet connection or another dedicated network using the Internet Protocol (IP) data networks (such as IP-based LANs, Intranets or the Internet) instead of a conventional phone line.

VoLTE/ViLTE (Voice over LTE / Video over LTE)

A service providing voice and video calls over IP via LTE radio access, controlled by standard ToIP architecture named IMS (IP Multimedia Subsystem). The mated naming VoLTE/ViLTE is used since the service is essentially the same for voice and video, differing only in the type of media streams that are set up. Since it is standard based, it achieves interoperability among user terminals and between terminals and networks.

VULA (Virtual Unbundling Local Access)

A wholesale service provided by incumbent providers to alternative operators, where the incumbent provides – over its broadband access network – the transport of data traffic (a 'bitstream') between the end customer and an interconnection point where the alternative operator receives said traffic. In TIM's case, the interconnection point is located at local exchange level, aside the OLT (Optical Line Termination) i.e. the head end of optical access network.

WAN (Wide Area Network)

A private network that covers a wide geographic area using public telecommunications services.

Web Service

Software system designed to support interoperability amongst different computers on a same network or in a distributed context (World Wide Web Consortium (W3C) definition).

White, Grey and Black areas

The distinction between White, Grey and Black Areas is relevant for the assessment of state aid to support the development of ultrabroadband networks, in terms of the compatibility of the aid with respect to European Union legislation. This classification is contained in the European Union Guidelines:

- White Areas are areas without ultrabroadband (UBB) networks (connectivity), where private investors do not intend to invest in the next three years;

- Grey Areas are areas in which an ultrabroadband (UBB) network (connectivity) is present or will be developed in the next three years by a single private operator;

- Black Areas are areas in which at least two ultrabroadband (UBB) networks (connectivity) of different operators are present or will be developed over the next three years.

Wi-Fi

Wireless technology enabling data links in a limited area, generally in some hundred meters range, with speed up to tens of Mbps. Typical applications are in homes and offices as alternative to wired LAN, as well as in public services for Internet access, and also to create link between devices (*e.g.*, between a laptop and a smartphone linked to Internet).

WLR (Wholesale Line Rental)

It is a telephony only wholesale service provided by the incumbent to alternative operators, whereby the alternative operator gets an ULL-like service without the need to physically deploy equipment at local exchange sites. It is technically similar to Carrier PreSelection (CPS), and differs from CPS on the commercial side since the end customer is not subscribed to the incumbent's access service, nor billed for it; in this way alternative operators are able to provide to customers both access and traffic services and to produce a single bill covering both services.

xDSL (Digital Subscriber Line)

It is a technology that makes use of standard telephone lines and it includes different categories including ADSL (Asymmetric DSL), HDSL (High-data-rate DSL), VDSL (Very high bit rate DSL) and eVDSL (enhanced Very high bit rate DSL). This technology uses a digital signal at very high frequencies in order to achieve high data transfer rates.

TIM GROUP UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

The following section includes the consolidated pro-forma statement of financial position as of December 31, 2023, and the consolidated pro-forma income statement for the year ended December 31, 2023 (the "**TIM Group Unaudited Consolidated Pro Forma Financial Information").**

The TIM Group Unaudited Consolidated Pro Forma Financial Information has been prepared for illustrative purposes only to give effect of:

(i) the disposal of TIM's fixed network assets (the so-called NetCo Business ("**NetCo**")), with:
   a. the transfer of debt from TIM to Optics Bidco ("**Optics**") (the "**Notes Transfer**"), assuming the Initial Exchange (as defined in the Exchange Offer Memorandum) is subscribed up to the Total Cap (as defined in the Exchange Offer Memorandum), equally split across the EUR New Notes (as defined in the Exchange Offer Memorandum) and the USD New Notes (as defined in the Exchange Offer Memorandum) (USD nominal amount is converted into € based on the exchange rate as of December 31, 2023);
   b. the cash-in from the Acquisition, as adjusted to reflect, among other things, the Notes Transfer, the unwinding of the relevant hedge contracts, the repayment of the existing intercompany loan originally granted on March 31, 2021 by TIM to FiberCop (the "**FiberCop Intercompany Loan**") and certain other connected transaction;

(ii) the Master Service Agreement with NetCo (hereinafter the "**MSA**"); and

(iii) the Transitional Service Agreement with NetCo (hereinafter the "**TSA**");

and other connected transactions and adjustments (together with (i), (ii), (iii), the "**Transaction**") as if they had occurred on December 31, 2023 of the relevant year for purposes of the applicable statement of the financial position and on January 1, 2023 for purposes of the applicable income statement.

The TIM Group Unaudited Consolidated Pro Forma Financial Information should not be considered indicative of the actual results that would have been achieved had the Transaction been completed on the dates assumed and does not purport to be illustrative of our future results of operations or financial position. Our actual results may differ significantly from those reflected in the TIM Group Unaudited Consolidated Pro Forma Financial Information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the TIM Group Unaudited Consolidated Pro Forma Financial Information.

The TIM Group Unaudited Consolidated Pro Forma Carve-out Financial Information does not reflect any additional adjustment connected to the Notes Transfer and resulting from: (i) any payment by the TIM Group of any early bird premium or participation premium of, in each case, in respect of any accepted tenders of Notes pursuant to the USD Exchange Offers and EUR Exchange Offers, and (ii) any payment owing by Optics to TIM or any payment owing by TIM to Optics based on the results of the Exchange Offers in accordance with the Transaction Agreement.

The TIM Group Unaudited Consolidated Pro Forma Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. The TIM Group Unaudited Consolidated Pro Forma Financial Information is based upon currently available information and certain assumptions, described in the accompanying notes to the TIM Group Unaudited Consolidated Pro Forma Financial Information, that the Issuer's management believes are reasonable under the circumstances and include adjustments which give effect to events that are directly attributable to the Transaction, are expected to have a continuing impact on the Issuer and are factually supportable.

Neither the assumptions underlying the pro forma adjustments, nor the resulting TIM Group Unaudited Consolidated Pro Forma Financial Information have been audited or reviewed in accordance with any

generally accepted auditing standards. Moreover, given the different purpose of the pro forma data compared to the data in the historical financial statements and the different methods of calculating the effects of the Transaction on the pro forma combined condensed statements of financial position and pro forma combined condensed income statement, the TIM Group Unaudited Consolidated Pro Forma Financial Information should be read and interpreted without attempting to reconcile such data.

The TIM Group Unaudited Consolidated Pro Forma Financial Information should be read in conjunction with:

(i) "Use of Proceeds", "Capitalization of the TIM Group", "Management's Discussion and Analysis of Financial Condition and Results of Operations of TIM" and "Summary Historical Consolidated Financial and Other Information of the TIM Group";
(ii) TIM Group Audited Consolidated Financial Statements; and
(iii) NetCo Audited Combined Carve-out Financial Information.

Basis of preparation

The TIM Group Unaudited Consolidated Pro Forma Financial Information is prepared on the basis of the historical financial information derived from the financial statements and information detailed above, adjusted to reflect the effects of the Transaction. The accounting policies adopted in preparing the TIM Group Unaudited Consolidated Pro Forma Financial Information are based on the accounting principles applied in the preparation of the TIM Group Audited Consolidated Financial Statements which are prepared in conformity with the International Financial Reporting Standards ("**IFRS**"), endorsed by the European Union; the TIM Group Unaudited Consolidated Pro Forma Financial Information have been extracted from the 2023 TIM Group Consolidated Financial Statements with the application of the specific pro-forma criteria.

Transaction Agreement

The Transaction Agreement ("TA") envisages:

- the contribution by TIM of a business unit - consisting of primary network activities, wholesale activities and the entire equity investment in the subsidiary Telenergia - into FiberCop, a company that already manages activities relating to the secondary fiber and copper network;
- the simultaneous acquisition by Optics of TIM's entire equity investment in FiberCop, following the aforementioned contribution (FiberCop after the contribution "NetCo");
- the signing of a master services agreement and a transitional services agreement on the closing date of the transaction that will regulate the terms and conditions of the services that will be rendered by NetCo to TIM and by TIM to NetCo following completion of the transaction.

Transaction Agreement: Accounting for the MSA

The revenues and expenses and other items expected to be generated by or otherwise associated with the Master Services Agreement as set forth in these pro forma accounts are based on the form of Master Services Agreement attached to the Transaction Agreement. It is possible that certain modifications to the form of Master Services Agreement may be made on or prior to the closing of the Acquisition and the entering into of the definitive Master Services Agreement which could impact the adjustments set forth herein respect of the Master Services Agreement.

Pursuant to the MSA, TIM undertakes to acquire from NetCo, among other things, the following services:

(i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers,
(ii) B2B (business-to-business) connectivity services such as point-to-point fiber optic connectivity,

(iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end-consumers,
(iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo,
(v) energy supply and procurement services (which will be specifically provided by Telenergia, a company wholly owned by NetCo and licensed to this purpose) and
(vi) other minor services.

The TIM Group will mainly provide:
(a) mobile telecommunication services,
(b) hosting arrangements within TIM Group's data centers,
(c) access to the corporate network,
(d) the provisions of IT services supporting NetCo's employees activities and
(e) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs.

The MSA will have a general duration consisting of a first term of fifteen years with a renewal mechanism for an additional term. For more information, see "*Summary—the Transaction—The Master Services Agreement*".

The accounting of above-described services rendered by NetCo mainly impacts operating expenses and, only where there is an identified assets for a residual amounts (e.g. colocation and certain real estate spaces), right of use assets. The related VAT payables and receivables have not been included in the Pro-Forma adjustments.

Transaction Agreement: Accounting for the TSA

A Transitional Services Agreement ("**TSA**") will be effective from the Closing Date, in order to provide rules for the management and development of the IT systems during NetCo's start-up phase as well as agreements for the provision of necessary general services by TIM for NetCo to operate.

The amounts have been estimated based on the best available information, since the negotiation between the parties is still in progress.

For more information, see "*Summary—the Transaction—The Transitional Services Agreement*".

Transaction Agreement: FiberCop Intercompany Loan

For the purposes of this pro forma financial information, as part of the Transaction, any amount outstanding under the FiberCop Intercompany Loan will be repaid to TIM.

1. TIM GROUP UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

1.1 TIM Group Unaudited Consolidated Pro Forma Income Statement 2023

(millions of Euro)	TIM Group Consolidated financial statements (Audited)	Historical results of NetCo combined carve out (Audited)	Pro forma adjustments			TIM Group Pro Forma Consolidated Income Statement (Unaudited)
			Intercompany components	Effects of NetCo disposal	Effects of the Contracts & Other adjustments	
	(a)	(b)	(c)	(d)	(e)	**(a–b+c+d+e)**
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Revenues	**16,296**	**2,119**	**89**		**170**	**14,436**
Other income	206	92	2			116
Acquisition of goods and services	(7,518)	(833)	(89)		(1,899)	(8,673)
Employee benefits expenses	(2,987)	(1,041)			(26)	(1,972)
Other operating expenses /Changes in inventories/Internally generated assets	(287)	125			(1)	(413)
EBITDA	**5,710**	**462**	**2**		**(1,756)**	**3,494**
Depreciation and amortization/Gains(losses) on disposals and impairment reversals (losses) on non-current assets	(4,874)	(1,573)	(2)	-	(47)	(3,350)
Operating profit (loss) (EBIT)	**836**	**(1,111)**	**0**		**(1,803)**	**144**
Other incomes (expenses) from investments	24					24
Finance incomes (expenses), net	(1,740)	(336)		427	(20)	(997)
Profit (loss) before tax from continuing Operations	**(880)**	**(1,447)**	**0**	**427**	**(1,823)**	**(829)**
Income tax expense	(227)	(164)	0	-	(128)	(191)
Profit (loss) from continuing Operations	**(1,107)**	**(1,611)**	**0**	**427**	**(1,951)**	**(1,020)**
Profit (loss) for the year	**(1,107)**	**(1,611)**	**0**	**427**	**(1,951)**	**(1,020)**

Explanatory notes to Pro-forma Consolidated Income Statement

Note 1 – TIM Group Consolidated financial statements

This column includes audited TIM Group consolidated income statement for the financial year ended December 31, 2023, taken from the TIM Consolidated Financial Statement as of December 31, 2023.

Note 2 – Historical results of NetCo combined carve out

This column includes the audited NetCo's combined income statement for the financial year ended December 31, 2023, taken from the NetCo Combined carve out Financial Information as of December 31, 2023.

Note 3 – Intercompany components

This column presents the re-establishment by TIM of some operating intercompany that have to be considered as a third party operation in the TIM Group Consolidated Pro Forma Financial Information. In particular, they mainly refer to costs (electricity, maintenance services and TLC service access costs)

and revenues (sales and service revenues), among TIM Group, NetCo, Telenergia and Fibercop that re-emerge after the Transaction..

Note 4 – Effects of NetCo disposal

This column presents the pro-forma adjustments related to NetCo disposal that affect the income statement.
In particular, in “Finance incomes (expenses), net” line, the following assumption have been considered:

- the Initial Exchange is subscribed up to the Total Cap, split with equal notional across respectively each series of the EUR New Notes (Euro 430 million) and each series of USD New Notes (US$ 431 million) assuming an exchange rate as of December 31, 2023 of US$ 1.105 per €1.000;
- the purchase price does not reflect any purchase price adjustments pursuant to the Transaction Agreement.

The pro-forma adjustment in “Finance incomes (expenses), net” line amounts to Euro 427 million and includes:

- lower finance expenses related to the transfer of the bonds, assuming an average post-hedge debt cost equal to 5.1%, calculated under the assumption that the Initial Exchange is subscribed up to the Total Cap;
- higher finance incomes related to the higher available liquidity, calculated under the assumption that the Initial Exchange is subscribed up to the Total Cap;
- Unwinding of derivatives currently hedging the USD New Notes that are assumed to be exchanged and other minor effects.

Note 5 – Effects of the Contracts & Other adjustments

This column presents the pro-forma adjustments derived from the application of the MSA and TSA for the year ended December 31, 2023.

Revenues generated by the MSA and the TSA are equal to Euro 170 million, as reported in the table below:

(millions of Euro)	**Total adjustments**
MSA services:	
(a) Data center and central spaces	45
(b) TLC fixed and mobile	14
(c) IT BSS	23
(d) Banda Bitstream	53
Total MSA Services	**135**
(e) TSA services	35
Total Revenues	**170**

(a) Data center and central spaces
The pro-forma adjustment amounts to Euro 45 million and includes the fees for:

- Data Center standard services, Public Cloud Services (always managed by TIM) and On Demand Services that are provided by TIM related to the NetCo IT Systems used exclusively in relation to the NetCo Business and the NetCo IT Systems used in relation to both the NetCo and TIM Business. Data Center Service Costs are based on the service catalogue according to a unitary price applicable to each Data Center Service used by NetCo. Unit prices are listed in the MSA.
- Space for Network Central offices in TIM Buildings. The space fees are defined in MSA.

(b) TLC fixed and mobile

The pro-forma adjustment amounts to Euro 14 million and includes the fees for:

- Office Mobile Services that include mobile voice, messages and data services, using SIM Cards in smartphones, tablets and other mobile devices or M2M Smart solution for the management of Internet of Things connectivity. Prices defined in MSA are based on the service catalogue according to a unitary price applicable for the different services used by NetCo for its employees.
- Corporate network services to connect NetCo offices and central exchanges through the "Rete Dati di Gruppo" ("RDG"). RDG is TIM's corporate network, which provides access, aggregation and transport of IP traffic among network elements and Offices. NetCo shall pay to TIM the annual fee set forth in MSA for the provision of the Corporate Network Services, which shall be calculated based on the number of employees, Network equipment and OSS/BSS system, lines and connections and total data traffic.

(c) IT BSS - Communication and Collaboration Services

The pro-forma adjustment amounts to Euro 23 million and includes the fees for the end-to-end collaboration management, mail, identity and access management, IT Back Office, workplace management, including the Digital Employee Experience and Digital Communication and Collaboration. The IT BSS- Communication and Collaboration fees are calculated according to an annual amount based on number of workstations (PC, Laptop, Virtual Desktop). The fee includes Microsoft Windows and Microsoft Office 365 Licenses for the workplace and the laptop/desktop rental.

(d) Banda Bitstream

The pro-forma adjustment amounts to Euro 53 million and includes the fees the IP transport needed to implement the OLO's wholesale services that require IP bandwith. The total revenues is determined as sum of total OLO's Bitstream Bandwidth Regulated revenues (extracted from accounting systems) net of the commercialization margin (currently used and regulated by AGCOM) and a percentage defined in the MSA of the revenues related to the not regulated services.

(e) TSA

The pro-forma adjustment amounts to Euro 35 million and includes the fees for:

- TIM Hybrid Systems Services mainly include the development and management activities provided by TIM to NetCo with respect to the TIM Hybrid systems;
- the Cyber Security Engineering.&Operations Services mainly include a set of security tools, which shall be provided by TIM to NetCo, aimed at protecting the network and IT components, workstations ("PdL"), data/information, as well as the management of accounts cycle of NetCo;
- the Cyber Security & SOC Services that shall be provided by TIM to NetCo;
- the Judicial Authority Services include a set of services, which shall be provided by TIM to NetCo, so as to allow NetCo to comply with the mandatory legal requirements provided under Italian applicable law ("Codice delle Comunicazioni"), regarding judicial requests required by operation of law for telecommunication operators;
- ICT Risk management;
- accounting Support;
- tax;
- payroll;
- Telco Cloud Infrastructure service shall be provided by TIM to NetCo, including the hosting services for NetCo Virtual Network Functions (VNFs) running on TIM cloud infrastructures (Telco Cloud shared IaaS Environment) other than Noovle Data Centers.

Costs, depreciation and amortization generated by the MSA and the TSA, and Other adjustments are equal to Euro 1,972 million, as reported in the table below:

(millions of Euro)	*Pro-forma adjustments*
MSA Services	
(a) Access (*)	1,373
(b) Assurance	128
(c) Delivery (*)	61
(d) Industrial Colocation (**)	193
(e) Engineering	148
(f) Real Estate and DC (**)	21
(g) Other Services	122
(h) Energy	65
Total MSA Services	**2,111**
(i) TSA Services	6
Total Operating Expenses - gross	**2,117**
Elimination of previous MSA/TSA contract and Others	(113)
Total Operating Expenses	**2,004**
Other adjustments related to MOS/MOI	(32)
Total Operating Expenses, net	**1,972**
Breakdown as follows:	
Acquisition of goods and services	*1,899*
Other operating expenses /Changes in inventories/Internally generated assets	*26*
Depreciation & Amortization	*47*

(*) The amounts doesn't include any impacts deriving from the deferral of costs.
(**) The amounts include some Depreciation & Amortization impacts.

(a) Access
The pro-forma adjustment amounts to Euro 1,373 million, which include fees for access services based on fiber or copper needed to provide voice and broadband service to retail customers calculated as the product of unit prices defined by NetCo MSA and quantities extracted from operational systems.

(b) Assurance
The pro-forma adjustment amounts to Euro 128 million, which include fees for Technical assurance support for copper and fiber network calculated as the product of unit prices defined by NetCo MSA (differentiated by technology and customer segment, depending on fault rate) and quantities extracted from operational systems.

(c) Delivery
The pro-forma adjustment amounts to Euro 61 million, which include fees for Standard and Premium installation and configuration of equipment at customer site calculated as the product of unit prices defined by NetCo MSA and quantities extracted from operational systems.

(d) Industrial Colocation

The pro-forma adjustment amounts to Euro 193 million and includes fees for an identified portion of a Central Office suitable to host Network Elements and Computers including spaces, facility management, security, Energy & Conditioning services. Colocation have been calculated based on the occupied spaces and energy consumptions of the equipment used by TIM and price per colocation service defined in MSA; certain colocation amounts, for the portion of identified assets, have been accounted under IFRS 16 (right of use of assets).

(e) Engineering

The pro-forma adjustment amounts to Euro 148 million, which include fees for Fixed IP Transport and Mobile Network Creation and Operation and Maintenance. Service catalogue is based on the work plan for Network Development and volume of assets managed (nodes) for O&M. Unit prices are defined by NetCo MSA.

(f) Real Estate and DC

The pro-forma adjustment amounts to Euro 21 million, which include fees for rental of offices and data center spaces and related utilities. The Real Estate amounts have been calculated based on the estimated office space per FTE plus data center spaces used by TIM and price per space and utilities defined in MSA; certain real estate amounts have been accounted under IFRS 16 (right of use assets) for the portion of identified assets referred to certain office spaces.

(g) Other Services

The pro-forma adjustment amounts to Euro 122 million, which include fees mainly for Mobile Backhauling, KIT VULA, Legacy Voice, Radio Links.

- Backhaul costs refer to the access services to the telecommunications network that carries traffic from the edge of the network (such as a cell tower or small cell) to the core network. Prices are regulated by NetCo MSA and the quantities are extracted from operational system;
- KIT VULA costs include fees for equipment and connections needed for the delivery of intermediate services (VULA C and VULA H) purchased by TIM from NetCo's network; The price is regulated and approved by AGCOM;
- Legacy Voice costs are related to the management of the legacy traffic generated by TIM customers. The price is regulated and approved by AGCOM. Costs have been calculated based on the total traffic in TDM (both terminated and originated) multiplied by the respective regulated prices;
- Radio links revenues mainly relate to maintenance and spectrum costs of radio links equipment used by TIM for Mobile backhauling.

(h) Energy

The pro-forma adjustment amounts to Euro 65 million, which include fees for the services for energy purchase, dispatchment, transportation and related administrative management that NetCo, through Telenergia, will provide to TIM and its Affiliates. The energy costs are mainly related to TIM Data center and Mobile network energy consumption and Unit energy price is equal to the sum of cost of purchased energy (pass-through), accessory costs (dispatch, transportation), and service fee to cover Telenergia internal costs.

(i) TSA - IT OSS Transitional Service

The pro-forma adjustment amounts to Euro 6 milion, which include fees for the management of the shared IT OSS (Operational Support System) Systems and Platforms assigned to NetCo and used by TIM calculated as the sum of internal and external NetCo costs (extracted from accounting systems) plus a service fee.

Other adjustments related to MOS/MOI

The pro-forma adjustments include a negative amount of Euro 32 million that relates to deferred expenses adjustment reversal for 2023 and MSA Costs deferral (7/8 of activation costs towards NetCo).

1.2 TIM Group Unaudited Consolidated Pro Forma Statement of the financial position at December 31, 2023

(millions of Euro)	TIM Consolidated financial statements (Audited)	Historical results of NetCo combined carve out (Audited)	Pro forma adjustments			TIM Pro Forma Consolidated Income Statement (Unaudited)
			Intercompany components	Effects of NetCo disposal	Effects of the Contracts & Other adjustments	
	(a)	(b)	(c)	(d)	(e)	**(a–b+c+d+e)**
	(Note 6)	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	
Goodwill	19,170			(7,703)		11,467
Intangible assets with a finite useful life	7,122	239				6,883
Property, plant and equipment owned	14,692	9,720	(15)			4,957
Right of Use assets	5,515	2,537	36		386	3,400
Other non-current assets	677					677
Other non-current financial assets	1,215	80	2,080	(2,461)		754
Miscellaneous receivables and other non-current assets	2,187	525	137		28	1,827
Deferred tax assets	701	65	1			637
Total non-current assets	**51,279**	**13,166**	**2,239**	**(10,164)**	**414**	**30,602**
Inventories	345	43	(19)			283
Trade and miscellaneous receivables and other current assets	4,890	866	441		32	4,497
Current financial assets	5,645	276	24	8,110		13,503
Total current assets	**10,880**	**1,185**	**446**	**8,110**	**32**	**18,283**
Total assets	**62,159**	**14,351**	**2,685**	**(2,054)**	**446**	**48,885**
Non-current financial liabilities for financing contracts and others	21,284	3,571	2,080	(5,187)		14,606
Non-current financial liabilities for lease contracts	4,743	2,075			325	2,993
Employee benefits	511	305	1			207
Deferred tax liabilities	83	20				63
Provisions	679	223	(1)			455
Miscellaneous payables and other non-current liabilities	1,326	582	140			884
Total Non-current liabilities	**28,626**	**6,776**	**2,220**	**(5,187)**	**325**	**19,208**
Current financial liabilities for financing contracts and others	5,771	13	15		425	6,198
Current financial liabilities for lease contracts	838	253	10		46	641
Trade and miscellaneous payables and other current liabilities	9,384	1,951	440		(109)	7,764
Income tax payables	27	2				25
Total Current Liabilities	**16,020**	**2,219**	**465**		**362**	**14,628**
Total Liabilities	**44,646**	**8,995**	**2,685**	**(5,187)**	**687**	**33,836**
Equity attributable to owners of the Parent / Invested Capital	13,646	5,356		5,356	(241)	13,405
Non-controlling interests	3,867			(2,223)		1,644
Total Equity / Invested capital	**17,513**	**5,356**		**3,133**	**(241)**	**15,049**
Total Liabilities and Equity	**62,159**	**14,351**	**2,685**	**(2,054)**	**446**	**48,885**

Explanatory notes to Pro-forma Consolidated Statement of Financial Position

Note 6 – TIM Group Consolidated financial statements

This column includes audited TIM Group consolidated statement of financial position for the financial year ended December 31, 2023, taken from the TIM Group Consolidated Financial Statement as of December 31, 2023.

Note 7 – Historical results of NetCo combined carve out

This column includes the audited NetCo's combined statement of financial position for the financial year ended December 31, 2023, taken from the NetCo Combined carve out Financial Information as of December 31, 2023.

Note 8 – Intercompany components

This column presents the re-establishment of FiberCop Intercompany Loan and TIM intercompany financial receivable that, following the effect of the carve out, have to be considered as a third party operation in the TIM Group Consolidated Pro Forma Financial Information.

Note 9 – Effects of NetCo disposal

This column presents the pro-forma adjustments related to the effect of NetCo disposal. In particular, the following adjustments have been reflected in the statement of financial position:

- the impacts related to the transfer of the Notes and the unwinding of relevant derivatives, the cash consideration from the Transaction and the reimbursement of FiberCop intercompany loan. For the purposes of calculating the cash-in from the NetCo disposal, which depends, among other factors, on the results of the Exchange Offers, the management assumed that the Initial Exchange is subscribed up to the Total Cap, split with equal notional across respectively each series of the EUR New Notes (Euro 430 million) and each series of USD New Notes (US431 million) assuming an exchange rate as of December 31, 2023 of $1.105 per €1.000. The purchase price does not reflect any purchase price adjustments pursuant to the Transaction Agreement.
  For additional information, please refer to the paragraph Additional Pro Forma Financial Information *"TIM Group Pro-forma Adjusted Net Financial Debt – After Lease".*
- the goodwill reduction of Euro 7,703 million. Please note that - only for the purpose of this Pro-forma accounts - the relevant assumption is that the amount attributed to NetCo of the Domestic operation goodwill is calculated as difference between the carrying value of business net assets (net of related non-controlling interest) and the proceeds received from the disposal, with no impacts registered on Equity and Net Income. Thus, this amount does not represent the amount of goodwill that will be attributed by TIM Group to the NetCo business, following the provisions of the applicable IFRSs (and namely IAS 36, relative fair value), at the closing date and after the final determination of the relative values of the business disposed of and of the portion of the cash generating unit retained (or other method to better reflect the goodwill associated with the operation disposed of).

Note 10 – Effects of the Contracts & Other adjustments

This column presents the pro-forma adjustments derived from the application of the MSA and TSA for the year ended December 31, 2023 and Other adjustments, referred to the following items:

- Current financial liabilities for financing contracts and others, associated with the advanced payment on NRRP tenders, still under discussion and legal analysis:
    - at the end of 2023 TIM collected from Infratel Italia S.p.A. (the in-house company of the Ministry of Economic Development and the implementing party of the Government's Broadband and Ultra-Broadband Plans, hereinafter "**Infratel**") Euro 758 million referred to all the three tenders awarded (Italia 1 Giga, 5G Backhauling, 5G Coverage), representing around 30% of the total grant for the three Plans and setting forth a progressive recovery method. The advances collected has been recognized by TIM in the TIM Group Audited Consolidated Financial Statements within Cash and cash equivalents and Short-term financial receivables, against Miscellaneous payables towards Infratel. As a condition precedent for the disbursement of advances, bank/insurance guarantees were issued for the full amount advanced, plus statutory interest. These guarantees were issued to TIM by banks and insurance companies on December 21 and 22, 2023;
    - as of December 31, 2023, the advanced payments pertaining to the tenders that, according to the Transaction Agreement, have to be transferred to NetCo, amounts to estimated Euro 706 million; allocations of the advances received have been made on the basis of the agreed treatment of the NRRP tenders in the Transaction Agreement. The discussions between TIM, NetCo/Optics and Infratel about the terms and the allocation of the advances are still ongoing as at the date of this document;
    - for the purposes of the preparation of this TIM Group unaudited consolidated pro forma financial information - in light of the expected capital expenditures deployment and the ongoing discussion with Infratel - the amount of Euro 425 million has been reclassified among net financial position items, since TIM could be required to reimburse these advances, no longer retaining title to the grants and being those advanced payments related to capital expenditures that remain to be made.
- Trade and miscellaneous payables and other current liabilities (Euro 109 million, negative amount) refer to:
    - Euro 425 million negative for the reduction due to reclassification to net financial position of the item above reported;
    - Euro 316 million payables related to the estimation of trade payables connected to the MSA. Trade payables have been calculated by applying a 60 days DPO, equal to the payment terms provided by the MSA, to the MSA pro-forma costs adjustment.
- RoU assets (Euro 386 million) refer to real estate rented spaces granted from NetCo to TIM in accordance with the MSA and related to (i) offices, (ii) co-location and P2P;
- Non-current Financial liabilities for lease contracts (Euro 325 million) and Current Financial liabilities for lease contracts (Euro 46 million) refer to RoU assets and real estate rented spaces, granted from NetCo to TIM in accordance with the MSA and related to (i) co-location and (ii) offices;
- Trade receivables (Euro 32 million) refer to estimation of trade receivables connected to the MSA for 28 million of euro and to current contractual deferred costs for 4 million. Trade receivables have been calculated by applying a 60 days DSO, equal to the collection terms provided by the MSA, to the MSA pro-forma revenues adjustment;
- Euro 28 million refer to non-current contractual deferred cost

1.3 Additional pro-forma financial information

Reconciliation of TIM Group Pro Forma EBITDA to TIM Group Pro Forma Organic EBITDA-AL

Pro Forma Organic EBITDA-AL represents Pro Forma 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 provides a reconciliation of the TIM Group's Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented:

(millions of Euro)	**For the year ended December 31, 2023** (unaudited)
EBITDA[(*)]	**3,494**
Non-recurring expenses/(income)[(1)] and other estimated normalization items [(2)]	671
Lease payments [(3)]	(716)
Organic EBITDA-AL[(*)(4)]	**3,450**

(*) 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 TIM Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

(1) **Non-recurring expenses/(income)** relate to events and transactions that, in the opinion of management, 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 ended December 31, 2023 include:
   (i) Euro 174 million for charges mainly connected to disputes, regulatory sanctions and potential liabilities related to them, the update of the contractual risk provision for onerous contracts (IAS 37) relating to a existing multi-year relationship as well as agreements and the development of non-recurring projects and the recovery of operating costs;
   (ii) Euro 445 million for employee benefit expenses also connected to the application of the Art. 4 of Law June 28, 2012 no. 92, as per the agreements signed with the trade unions by Domestic Business Unit companies.

(2) **Estimated normalization items** refer to certain costs historically incurred by the TIM Group that, as of the date of this Exchange Offer Memorandum, the TIM's management estimates will be borne by NetCo as a standalone entity following the consummation of the Acquisition. In particular, they include:
   (i) certain personnel costs relating to the social shock absorbers ("*contratto di espansione*") incurred in connection with the union agreement entered into by TIM on July 28, 2022 together with other minor provisions relating to personnel amounted to Euro 37 million;
   (ii) provision accruals for litigations & disputes and related legal costs amounted to Euro 10 million;
   (iii) provision accruals for bad debt (relating to trade receivables overdue by more than 365 days) amounted to Euro 5 million.

(3) **Lease payments** refer to the actual cash outflows incurred in the year related to lease contracts.

(4) Pro Forma Organic EBITDA for any of the periods presented equals Pro Forma Organic EBITDA-AL, with the above adjustment for lease payments added back in. Pro Forma Organic EBITDA-AL represents Pro Forma EBITDA excluding, where applicable, effects of the change in the scope of consolidation, exchange differences, non-recurring events and transactions and lease payments.

TIM Group Pro Forma Reclassified Statement of Financial Position

The following table presents the TIM Group Pro Forma Reclassified Statement of Financial Position as of December 31, 2023:

(millions of Euro)	**TIM Consolidated financial statements (Audited)** (a)	**Historical results of NetCo combined carve out (Audited)** (b)	**Pro forma adjustments**			**TIM Pro Forma Consolidated Income Statement (Unaudited)**
			Intercompany components (c)	**Effects of NetCo disposal** (d)	**Effects of the Contracts & Other adjustments** (e)	**(a–b+c+d+e)**
Goodwill	19,170	-	-	(7,703)	-	11,467
Intangible assets with a finite useful life	7,122	239	-	-	-	6,883
Property, plant and equipment owned	14,692	9,720	(15)	-	-	4,957
Right of Use assets	5,515	2,537	36	-	386	3,400
Miscellaneous receivables and other non-current assets	2,187	525	137	-	28	1,827
Deferred tax assets	701	65	1	-	-	637
Other non-current assets	677	-	-	-	-	677
Total non-current assets	**50,064**	**13,086**	**159**	**(7,703)**	**414**	**29,848**
Inventories	345	43	(19)	-	-	283
Trade and miscellaneous receivables and other current assets	4,890	866	441	-	32	4,497
Employee benefits	(511)	(305)	(1)	-	-	(207)
Deferred tax liabilities	(83)	(20)	-	-	-	(63)
Provisions	(679)	(223)	1	-	-	(455)
Miscellaneous payables and other non-current liabilities	(1,326)	(582)	(140)	-	-	(884)
Trade and miscellaneous payables and other current liabilities	(9,384)	(1,951)	(440)	-	109	(7,764)
Income tax payables	(27)	(2)	-	-	-	(25)
Net Working Capital	**(6,775)**	**(2,174)**	**(158)**	**-**	**141**	**(4,618)**
Net Invested Capital	**43,289**	**10,912**	**1**	**(7,703)**	**555**	**25,230**
Net Financial Debt Carrying Amount	25,776	5,556	1	(10,836)	796	10,181
Total Equity / Invested capital	17,513	5,356	-	3,133	(241)	15,049
Total	**43,289**	**10,912**	**1**	**(7,703)**	**555**	**25,230**

Reconciliation of TIM Group Pro-forma Adjusted Net Financial Debt – After Lease

The following table presents the detail of the TIM Group Pro-Forma Net Financial Debt – After Lease as of December 31, 2023:

(millions of Euro)	TIM Group Consolidated financial statement (Audited)	Historical results of NetCo combined carve out (Audited)	Re-establishment of intercompany components	Pro forma adjustments		TIM Group Pro Forma Consolidated financial statement (Unaudited)
				Effects of NetCo disposal	Effects of the Contracts & Other adjustements	
	(a)	(b)	(c)	(d)	(e)	(a–b+c+d+e)
Bonds	18,563			(5,012)		13,551
Amounts due to banks, other financial payables and liabilities	8,492	3,584	2,094	(174)	425	7,253
Financial liabilities for lease contracts (i)	5,581	2,328	10		371	3,634
Gross financial debt	**32,636**	**5,912**	**2,104**	**(5,186)**	**796**	**24,438**
Cash and cash equivalents	(2,912)	(152)	(2)	(8,110)		(10,872)
Other financial assets	(3,674)	(23)	(2,092)	2,461		(3,282)
Financial receivables arising from lease contracts (ii)	(274)	(181)	(9)			(102)
Financial assets	**(6,860)**	**(356)**	**(2,103)**	**(5,649)**	**-**	**(14,256)**
Net Financial Debt Carrying Amount	**25,776**	**5,556**	**1**	**(10,835)**	**796**	**10,182**
Reversal of fair value measurement of derivatives and related net financial liabilities/assets	(120)	-		51		(69)
Adjusted Net Financial Debt	**25,656**	**5,556**	**1**	**(10,784)**	**796**	**10,113**
Leases (i+ii)	(5,307)	(2,147)	(1)	-	(371)	(3,532)
Adjusted Net Financial Debt-After Lease	**20,349**	**3,409**	**-**	**(10,784)**	**425**	**6,581**

The transaction generates a Adjusted Net Financial Debt-After Lease reduction of Euro 13,768 million broken down as follow

- Euro 14,193 million refers to NetCo Disposal
  - Euro 5,000 million notes transferred,
  - Euro 1,342 million FiberCop deconsolidation,
  - Euro 2,079 million reimbursement of FiberCop intercompany loan,
  - Euro 5,809 million cash consideration from the Transaction,
  - Euro 37 million, negative amount related to other minor effects
- Euro 425 million refers to the mentioned reclassification of a portion of the liability related to NRRP
- Lease liabilities reduction of Euro 1,775 million refer for Euro 2,147 million to deconsolidated contracts partly offset by Euro 371 million of MSA contract;
- Reversal of fair value reduction refers to the derivative unwinding related to transferred notes.

NETCO UNAUDITED COMBINED PRO FORMA CARVE-OUT FINANCIAL INFORMATION

The following section includes:

- the combined pro-forma statement of financial position as of December 31, 2023 and the combined pro-forma income statement for the year ended December 31, 2023 (the "**2023 NetCo Unaudited Combined Pro Forma Carve-Out Financial Information")**, and
- the combined pro-forma income statement for the year ended December 31, 2022 (the "**2022 NetCo Unaudited Combined Pro Forma Carve-out Financial Information"**, and cumulatively with the 2023 NetCo Unaudited Combined Pro Forma Carve-out Financial Information, the "**NetCo Unaudited Combined Pro Forma Carve-out Financial Information").**

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information has been prepared for illustrative purposes only to give effect of: (i) the signing of Master Service Agreement with Telecom Italia S.p.A. ("**TIM**") (hereinafter the "**MSA**"), (ii) the signing of Transitional Service Agreement with Telecom Italia S.p.A. (hereinafter the "**TSA**") and (iii) cumulatively, the repayment of the existing intercompany loan originally granted on March 31, 2021 by TIM to FiberCop (the "**FiberCop Intercompany Loan**") with a new loan to be granted to NetCo assuming the same interest rate as the interest rate of the FiberCop Intercompany Loan will apply to it ((i), (ii) and (iii), the "**Transaction**") as if they had occurred on December 31, 2023 for purposes of the applicable statement of the financial position and on January 1 of the relevant year for purposes of the applicable income statement.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information should not be considered indicative of the actual results that would have been achieved had the Transaction been completed on the dates assumed and does not purport to be illustrative of our future results of operations or financial position. Our actual results may differ significantly from those reflected in the NetCo Unaudited Combined Pro Forma Carve-out Financial Information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the NetCo Unaudited Combined Pro Forma Carve-out Financial Information.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect any adjustment relating to the purchase price allocation as the exercise to determine the fair value of the net assets acquired will be carried out only after the Acquisition Closing Date. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect any adjustment relating to the acquiring entity Optics BidCo ("**Optics**") or the financing of that entity

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. The NetCo Unaudited Combined Pro Forma Carve-out Financial Information is based upon currently available information and certain assumptions, described in the accompanying notes to the NetCo Unaudited Combined Pro Forma Carve-out Financial Information, that the Issuer's management believes are reasonable under the circumstances and include adjustments which give effect to events that are directly attributable to the Transaction, are expected to have a continuing impact on NetCo and are factually supportable.

Neither the assumptions underlying the pro forma adjustments, nor the resulting NetCo Unaudited Combined Pro Forma Carve-out Financial Information have been audited or reviewed in accordance with any generally accepted auditing standards. Moreover, given the different purpose of the pro forma data compared to the data in the historical financial statements of NetCo and the different methods of calculating the effects of the Transaction on the pro forma condensed statements of financial position

and pro forma condensed income statement, the NetCo Unaudited Combined Pro Forma Carve-out Financial Information should be read and interpreted without attempting to reconcile such data.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information should be read in conjunction with:

(i) "Use of Proceeds", "Capitalization of NetCo and Optics", "Management's Discussion and Analysis of Pro Forma Carve-out Financial Information and Results of Operations of NetCo" and "Summary Financial and Other Pro Forma Carve-Out Information of NetCo and Optics";
(ii) TIM Group Audited Consolidated Financial Statements; and
(iii) NetCo Audited Combined Carve-out Financial Information.

Basis of preparation
The NetCo Unaudited Combined Pro Forma Carve-out Financial Information is prepared on the basis of the historical financial information derived from the financial statements and information of NetCo detailed above, adjusted to reflect the effects of the Transaction. The accounting policies adopted in preparing the NetCo Unaudited Combined Pro Forma Carve-out Financial Information are based on the accounting principles applied in the preparation of the TIM Group Audited Consolidated Financial Statements which are in conformity with the International Financial Reporting Standards ("**IFRS**"), endorsed by the European Union; the NetCo Audited Combined Carve-out Financial Information have been extracted from the 2023 and 2022 TIM Group Consolidated Financial Statements with the application of the specific carve-out criteria.

The NetCo Unaudited Combined Pro Forma Carve-out Financial Information does not reflect:

- the financial and economic effects of the Exchange Offers;
- the financial position or results of Optics BidCo ("**Optics**"), including the debt incurred by Optics BidCo under the Senior Facilities Agreement and Senior Bridge Facility Agreement or any pro forma interest expense related thereto;
- the expenses at the Acquisition Closing Date and the "to be" cost base adjustments.

For more information, see "*Summary Financial and Other Pro Forma Carve-Out Information of NetCo—Certain Optics' Pro Forma Data As Adjusted for the Transaction*".

Transaction Agreement
The Transaction Agreement envisages:

- the contribution by TIM of a business unit - consisting of primary network activities, wholesale activities and the entire equity investment in the subsidiary Telenergia - into FiberCop, a company that already manages activities relating to the secondary fiber and copper network;
- the simultaneous acquisition by Optics of TIM's entire equity investment in FiberCop, following the aforementioned contribution (FiberCop after the contribution "NetCo"), not included in this NetCo unaudited combined pro forma carve-out financial information;
- the signing of a Master Services Agreement (hereinafter the "**MSA**") and transitional services agreement ("**TSA**") on the closing date of the transaction that will regulate the terms and conditions of the services that will be rendered by NetCo to TIM and by TIM to NetCo following completion of the transaction.

Transaction Agreement: Accounting for the MSA
A Master Service Agreement for the provision of services regarding the use of the network signed between TIM and NetCo, will be effective from the Closing Date.
The revenues and expenses and other items expected to be generated by or otherwise associated with the Master Services Agreement as set forth in these pro forma accounts are based on the form of Master Services Agreement attached to the Transaction Agreement. It is possible that certain modifications to the form of Master Services Agreement may be made on or prior to the closing of the Acquisition and the

entering into of the definitive Master Services Agreement which could impact the adjustments set forth herein respect of the Master Services Agreement.
Pursuant to the MSA, the NetCo Services mainly encompass:

(i) a variety of access services required for the purposes of the transmission of data and voice traffic directed to and/or generated by TIM's end customers,
(ii) B2B (business-to-business) connectivity services such as point-to-point fiber optic connectivity,
(iii) network services consisting of engineering services for the purposes of network operations and maintenance, delivery services for the access activation in favor of TIM's end customers and assurance services for solving faults experience by TIM's end-consumers,
(iv) real estate services mainly regarding the use, by TIM, of certain real estate properties leased or subleased by NetCo,
(v) energy supply and procurement services (which will be specifically provided by Telenergia, a company wholly owned by NetCo and licensed to this purpose) and
(vi) other minor services.

These services rendered by NetCo have been included in this pro-forma as additional NetCo's Revenues.

The TIM Group will mainly provide:

(i) mobile telecommunication services,
(ii) hosting arrangements within TIM Group's data centers
(iii) access to the corporate network
(iv) the provisions of IT services supporting NetCo's employees activities and
(v) the provision of certain service components (such as bandwidth) enabling NetCo to sell aggregated services to the OAOs. The MSA will have a general duration consisting of a first term of fifteen years with a renewal mechanism for an additional term. For more information, see "*Summary—the Transaction—The Master Services Agreement*".

These services rendered by TIM Group to NetCo have been included in this pro-forma as additional NetCo's operating expenses.

The related VAT payables and receivables have not been included in the Pro-Forma adjustments.

Transaction Agreement: Accounting for the TSA

A Transitional Services Agreement ("**TSA**") will be effective from the Closing Date, in order to provide rules for the management and development of the IT systems during NetCo's start-up phase as well as agreements for the provision of necessary general services by TIM for NetCo to operate.
The amounts have been estimated based on the available information as of the date of these pro forma financial information, since the negotiation between the parties is still in progress.
For more information, see "*Summary—the Transaction—The Transitional Services Agreement*".

Transaction Agreement: FiberCop Intercompany Loan

As part of the Transaction, any amount outstanding under the FiberCop Intercompany Loan will be repaid to TIM. For the purposes of this pro forma financial information, no pro forma adjustment have been reflected, under the assumption that the FiberCop Intercompany Loan will be repaid with a new loan to be granted to NetCo and having the same interest rate as the interest rate of the FiberCop Intercompany Loan [(1)].

(1) *Risks Related to NetCo's Financial Information—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance.*

1. 2023 NETCO UNAUDITED COMBINED PRO FORMA CARVE-OUT FINANCIAL INFORMATION

1.1 2023 NetCo Unaudited Combined Pro Forma Carve-Out Income Statement

(millions of Euro)	Historical results of NetCo carve out (Audited)	Pro forma adjustments		NetCo Combined Pro Forma Income Statement (Unaudited)
		Effects of the Contracts	Other adjustments	
	a	b	c	a+b+c
	(Note 1)	*(Note 2)*	*(Note 3)*	
Revenues	**2,119**	**1,858**		**3,977**
Other income	92	148		240
Acquisition of goods and services	(833)	(155)	29	(959)
Employee benefits expenses	(1,041)		26	(1,015)
Other operating expenses /Changes in inventories/Internally generated assets	125	(15)		110
EBITDA	**462**	**1,836**	**55**	**2,353**
Depreciation and amortization/ Gains (losses) on disposals and impairment reversals (losses) on non-current assets	(1,573)			(1,573)
Operating profit (loss) (EBIT)	**(1,111)**	**1,836**	**55**	**780**
Finance income (expenses), net	(336)			(336)
Profit (loss) before tax from continuing Operations	**(1,447)**	**1,836**	**55**	**444**
Income tax expense	(164)		31	(133)
Profit (loss) from continuing operations	**(1,611)**	**1,836**	**86**	**311**
Profit (loss) for the year	**(1,611)**	**1,836**	**86**	**311**

Explanatory notes to 2023 Combined Pro Forma Carve-out Income Statement

Note 1 – Historical results of NetCo carve out

This column includes the Company's combined income statement for the financial year December 31, 2023, taken from the audited NetCo Combined Carve Out Financial Information as at December 31,2023 and 2022.

Note 2 – Effects of the Contracts

This column presents the pro-forma adjustments derived from the application of the MSA and TSA for the year ended December 31, 2023.

Revenues and Other income generated by the MSA and the TSA are equal to Euro 2,006 million, as reported in the table below:

(millions of Euro)	***Pro-forma adjustments***
MSA Services	
(a) Access	1,373
(b) Assurance	128
(c) Delivery	61
(d) Industrial Colocation	194
(e) Engineering	148

(f) Real Estate and DC	22
(g) Other Services	122
(h) Energy	65
Total MSA Services	**2,113**
(i) TSA Services	6
Total revenues and other income - gross	**2,119**
Elimination of previous MSA/TSA contract and Others	*(113)*
Total Revenues and Other income - net	**2,006**
Breakdown as follow:	
Revenues	*1,858*
Other income	*148*

(a) Access
The pro-forma adjustment amounts to Euro 1,373 million and includes the fees for access services based on fiber or copper needed to provide voice and broadband service to retail customers calculated as the product of unit prices defined by NetCo MSA and average quantities for the period extracted from operational systems.

(b) Assurance
The pro-forma adjustment amounts to Euro 128 million and includes the fees for Technical assurance support for copper and fiber network calculated as the product of unit prices defined by NetCo MSA (differentiated by technology and customer segment, depending on fault rate) and average quantities for the period extracted from operational systems.

(c) Delivery
The pro-forma adjustment amounts to Euro 61 million and includes the fees for Standard and Premium installation and configuration of equipment at customer site calculated as the product of unit prices defined by NetCo MSA and quantities extracted from operational systems.

(d) Industrial Colocation
The pro-forma adjustment amounts to Euro 194 million and includes the fees for an identified portion of a Central Office suitable to host Network Elements and Computers including spaces, facility management, security, Energy & Conditioning services. Colocation revenues have been calculated based on the occupied spaces and energy consumptions of the equipment used by TIM and price per colocation service defined in MSA.

(e) Engineering
The pro-forma adjustment amounts to Euro 148 million and includes the fees for Fixed IP Transport and Mobile Network Creation and Operation and Maintenance. Service catalogue is based on the work plan for Network Development and volume of assets managed (nodes) for O&M. Unit prices are defined by NetCo MSA.

(f) Real Estate and DC
The pro-forma adjustment amounts to Euro 22 million and includes the fees for rental of office and data center spaces and related utilities. Revenues have been calculated based on the estimated office space per FTE plus data center spaces used by TIM and price per space and utilities defined in MSA.

(g) Other Services
The pro-forma adjustment amounts to Euro 122 million and includes the fees mainly for Mobile Backhauling, KIT VULA, Legacy Voice, Radio Links.

- Backhaul revenues refer to the access services to the telecommunications network that carries traffic from the edge of the network (such as a cell tower or small cell) to the core network. Prices are regulated by MSA and the quantities are extracted from operational system.
- KIT VULA revenues include fees for equipment and connections needed for the delivery of intermediate services (VULA C and VULA H) purchased by TIM from NetCo's network; The price is regulated and approved by AGCOM.
- Legacy Voice Revenues are related to the management of the legacy traffic generated by TIM customers. The price is regulated and approved by AGCOM. Revenues have been calculated based on the total traffic in TDM (both terminated and originated) multiplied by the respective regulated prices.
- Radio links revenues mainly relate to maintenance and spectrum costs of radio links equipment used by TIM for Mobile backhauling.

(h) Energy

The pro-forma adjustment amounts to Euro 65 million and includes the fees for the services for energy purchase, dispatchment, transportation and related administrative management that NetCo, through Telenergia, will provide to TIM and its Affiliates. The energy revenues are mainly related to TIM Data center and Mobile network energy consumption and Unit energy price is equal to the sum of cost of purchased energy (pass-through), accessory costs (dispatch, transportation), and service fee to cover Telenergia internal costs.

(i) TSA Services - IT OSS

The pro-forma adjustment amounts to Euro 6 milion and includes the fees for the management of the shared IT OSS (Operational Support System) Systems and Platforms assigned to NetCo and used by TIM calculated as the sum of internal and external NetCo costs (extracted from accounting systems) plus a service fee.

Costs incurred by NetCo and arising under the MSA and the TSA are equal to Euro 170 million, as reported in the table below***:***

(millions of Euro)	**Total adjustments**
MSA services	
(a) Data center and central spaces	45
(b) TLC fixed and mobile	14
(c) IT BSS	23
(d) Banda Bitstream	53
Total MSA Services	**135**
(e) TSA services	35
Total	**170**
Breakdown as follow:	
Acquisition of goods and services	*155*
Other operating expenses /Changes in inventories/Internally generated assets	*15*

(a) Data center and central spaces
The pro-forma adjustment amounts to Euro 45 million and includes the fees for:

- Data Center standard services, Public Cloud Services (always managed by TIM) and On Demand Services that are provided by TIM related to the NetCo IT Systems used exclusively in relation to the NetCo Business and the NetCo IT Systems used in relation to both the NetCo and TIM Business. Data Center Service Costs are based on the service catalogue according to a unitary price applicable to each Data Center Service used by NetCo. Unit prices are listed in the MSA.
- Space for Network Central offices in TIM Buildings. The space fees are defined in MSA.

(b) TLC fixed and mobile
The pro-forma adjustment amounts to Euro 14 million and includes the fees for:

- Office Mobile Services that include mobile voice, messages and data services, using SIM Cards in smartphones, tablets and other mobile devices or M2M Smart solution for the management of Internet of Things connectivity. Prices defined in MSA are based on the service catalogue according to a unitary price applicable for the different services used by Netco for its employees.
- Corporate network services to connect NetCo offices and central exchanges through the “Rete Dati di Gruppo” (“RDG”). RDG is TIM’s corporate network, which provides access, aggregation and transport of IP traffic among network elements and Offices. NetCo shall pay to TIM the annual fee set forth in MSA for the provision of the Corporate Network Services, which shall be calculated based on the Number of employees, Network equipment and OSS/BSS system, lines and connections and total data traffic.

(c) IT BSS - Communication and Collaboration Services
The pro-forma adjustment amounts to Euro 23 million and includes the fees for the end-to-end collaboration management, mail, identity and access management, IT Back Office, workplace management, including the Digital Employee Experience and Digital Communication and Collaboration. The IT BSS- Communication and Collaboration fees are calculated according to an annual amount based on number of workstations (PC, Laptop, Virtual Desktop). The fee includes Microsoft Windows and Microsoft Office 365 Licenses for the workplace and the laptop/desktop rental.

(d) Banda Bitstream
The pro-forma adjustment amounts to Euro 53 million and includes the fees the IP transport needed to implement the OLO’s wholesale services that require IP bandwith. The total cost is determined as sum

of total OLO's Bitstream Bandwidth Regulated revenues (extracted from accounting systems) net of the commercialization margin (currently used and regulated by AGCOM) and a percentage defined in the MSA of the revenues related to the not regulated services.

(e) TSA

The pro-forma adjustment amounts to Euro 35 million and includes the fees for:

- TIM Hybrid Systems Services mainly include the development and management activities provided by TIM to NetCo with respect to the TIM Hybrid systems.
- The Cyber Security Engineering.&Operations Services mainly include a set of security tools, which shall be provided by TIM to NetCo, aimed at protecting the network and IT components, workstations ("PdL"), data/information, as well as the management of accounts cycle of NetCo.
- The Cyber Security & SOC Services that shall be provided by TIM to NetCo.
- The Judicial Authority Services include a set of services, which shall be provided by TIM to NetCo, so as to allow NetCo to comply with the mandatory legal requirements provided under Italian applicable law ("Codice delle Comunicazioni"), regarding judicial requests required by operation of law for telecommunication operators.
- ICT Risk management.
- Accounting Support.
- Tax.
- Payroll.
- Telco Cloud Infrastructure service shall be provided by TIM to NetCo, including the hosting services for NetCo Virtual Network Functions (VNFs) running on TIM cloud infrastructures (Telco Cloud shared IaaS Environment) other than Noovle Data Centers.

Note 3 – Other adjustments

Costs related to other adjustments are equal to Euro 55 million, as reported in the table below:

(millions of Euro)	***Pro-forma adjustments*** **MOS/MOI**
Acquisition of goods and services	29
Employee benefits expenses	26
Total other adjustments	**55**

MOS/MOI

The pro-forma adjustment amounts to Euro 55 million and relates to the deferred expenses adjustment relating to external (i.e. acquisition of goods and services) and internal (i.e. employee benefits expenses) costs corresponding to 7/8 of activation costs towards TIM.

Income tax expenses

Income tax expenses of the 2023 NetCo Pro Forma Combined Income Statement amount to Euro 133 million, calculated applying the IRES notional tax rate (24%) to the *Pro Forma Combined Profit before tax from continuing operations* and the IRAP notional tax rate (4.5%) to the *Pro Forma Combined Operating profit (EBIT)*. Therefore, the Pro Forma adjustment on the Income tax expenses has been determined as difference between the amount above described and the historical income tax expenses of the NetCo Combined Carve out.

2023 NetCo Unaudited Combined Pro Forma Carve-Out Statement of Financial Position

(millions of Euro)	**Historical results of NetCo carve out (Audited)**	**Pro forma adjustments**		**NetCo Combined Pro Forma Statement of Financial Position (Unaudited)**
		Effects of the Contracts	**Other adjustements**	
	a	**b**	**c**	**a+b+c**
	(Note 1)	*(Note 2)*	*(Note 3)*	
Goodwill				
Intangible assets with a finite useful life	239			239
Property, plant and equipment owned	9,720	(15)		9,705
Right of Use assets	2,537			2,537
Other non-current assets				
Other non-current financial assets	80			80
Miscellaneous receivables and other non-current assets	525		47	572
Deferred tax assets	65			65
Total non-current assets	**13,166**	**(15)**	**47**	**13,198**
Inventories	43			43
Trade and miscellaneous receivables and other current assets	866	334	714	1,914
Current financial assets	276			276
Total current assets	**1,185**	**334**	**714**	**2,233**
Total assets	**14,351**	**319**	**761**	**15,431**
Non-current financial liabilities for financing contracts and others	3,571			3,571
Non-current financial liabilities for lease contracts	2,075			2,075
Employee benefits	305			305
Deferred tax liabilities	20			20
Provisions	223			223
Miscellaneous payables and other non-current liabilities	582			582
Total Non-current liabilities	**6,776**			**6,776**
Current financial liabilities for financing contracts and others	13			13
Current financial liabilities for lease contracts	253			253
Trade and miscellaneous payables and other current liabilities	1,951	23	742	2,716
Income tax payables	2			2
Total Current Liabilities	**2,219**	**23**	**742**	**2,984**
Total Liabilities	**8,995**	**23**	**742**	**9,760**
Invested capital	**5,356**	**296**	**19**	**5,671**
Total Liabilities and Invested capital	**14,351**	**319**	**761**	**15,431**

Explanatory notes to 2023 Combined Pro Forma Carve-out Statement of Financial Position

Note 1 – Historical results of NetCo carve out

This column includes the Company's combined statement of financial position for the financial year December 31, 2023, taken from the audited NetCo Combined Carve Out Financial Information as at December 31,2023 and 2022.

Note 2 – Effects of the Contracts

This column presents the pro-forma adjustments derived from the application of the MSA and TSA for the year ended December 31, 2023.
In particular:

- Euro 14.9 million refer to IRUs granted from NetCo to TIM in accordance with the MSA and related to (i) backbone, (ii) backhauling and (iii) P2P connections;
- Euro 334.3 million refer to estimation of trade receivables connected to the MSA. Trade receivables have been calculated by applying a 60 days DSO, equal to the collection terms provided by the MSA, to the MSA pro-forma revenues adjustment;
- Euro 23 million refer to estimation of trade payables connected to the acquisition of good and services accordingly with the MSA. Trade payables have been calculated by applying a 60 days DPO, equal to the payment terms provided by the MSA, to the MSA pro-forma costs adjustment.

Note 3 – Other adjustments

This column presents the pro-forma adjustments mainly referred to the following items:

- Payables and Receivables, associated with the advanced payment on NRRP tenders, still under discussion and legal analysis. In particular:
    - at the end of 2023 TIM collected from Infratel Italia S.p.A. (the in-house company of the Ministry of Economic Development and the implementing party of the Government's Broadband and Ultra-Broadband Plans, hereinafter "**Infratel**") Euro 758 million referred to all the three tenders awarded (Italia 1 Giga, 5G Backhauling, 5G Coverage), representing around 30% of the total grant for the three Plans and setting forth a progressive recovery method. The advances collected has been recognized by TIM in the TIM Group Audited Consolidated Financial Statements within Cash and cash equivalents and Short-term financial receivables, against Miscellaneous payables towards Infratel. As a condition precedent for the disbursement of such advances, bank/insurance guarantees were issued for the full amount advanced, plus statutory interest. These guarantees were issued on behalf of TIM by banks and insurance companies on December 21 and 22, 2023;
    - for the purposes of the preparation of NetCo Combined Pro Forma Carve-out, the advanced payments pertaining to the tenders that, according to the Transaction Agreement, are to be transferred (estimated Euro 706 million), have been reflected as receivables and payables, which represent the advanced payments received from Infratel and related obligations as of December 31, 2023; allocations of the advances received have been made on the basis of the agreed treatment of the NRRP tenders in the Transaction Agreement. The discussions between TIM, NetCo/Optics and Infratel about the terms and the allocation of the advances are still ongoing as at the date of this document.
- Euro 55 million relating to the deferred expenses costs corresponding to 7/8 of the activation costs, of which non current Euro 47 million and current Euro 8 million.
- Euro 36 million in Trade and miscellaneous payables and other current liabilities.

1.2 2023 Additional pro-forma financial information

Reconciliation of Pro Forma EBITDA to Pro Forma Organic EBITDA-AL of NetCo

The following table provides a reconciliation of the NetCo's Pro Forma EBITDA to Pro Forma Organic EBITDA-AL for the periods presented:

(Pro Forma)	For the year ended December 31,	
(millions of Euro)	2023	2022
	(unaudited)	
EBITDA	**2,353**	**2,208**
Estimated normalization items (1)	(52)	(59)
Non-recurring expenses(2)	17	13
Lease payments(3)	(370)	(351)
Organic EBITDA-AL(*)	**1,948**	**1,812**

(*) 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 NetCo's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "Presentation of Financial and Other Information."

(1) **Estimated normalization items** refer to certain costs historically incurred by the TIM Group that, as of the date of this Exchange Offer Memorandum, the TIM's management estimates will be borne by NetCo as a standalone entity following the consummation of the Acquisition. In particular, they include:

a) certain personnel costs relating to the social shock absorbers (*contratto di espansione*) incurred in connection with the union agreement entered into by TIM on July 28, 2022 together with other minor provisions relating to personnel amounted to Euro 37 million and Euro 42 million for the years ended December 31, 2023 and 2022, respectively;
b) provision accruals for litigations & disputes and related legal costs amounted to Euro 10 million and Euro 9 million for the years ended December 31, 2023 and 2022, respectively; and
c) provision accruals for bad debt (relating to trade receivables overdue by more than 365 days) amounted to Euro 5 million and Euro 8 million for the years ended December 31, 2023 and 2022, respectively.

These costs are not reflected in the NetCo Audited Combined Carve-out Financial Information or in the NetCo Unaudited Combined Pro forma Carve-out Financial Information included elsewhere in the Exchange Offer Memorandum which have been prepared in accordance with the Transaction Agreement. These normalization items do not purport to represent the full range of additional costs or dis-synergies that NetCo, as a standalone entity, could incur as part of the ongoing cost structure of the NetCo Business[2].

(2) *Risk Factors— Risks Related to NetCo's Financial Information—NetCo Audited Combined Carve-out Financial Information and NetCo Unaudited Combined Pro Forma Carve-out Financial Information, as the case may be, may not be necessarily representative of the results that NetCo would have achieved as a separate and independent company and may not be a reliable indicator of its future performance*" and "*—NetCo's Pro Forma Organic EBITDA-AL and other non-IFRS measures presented in this Exchange Offer Memorandum are based upon estimates and assumptions regarding specific initiatives and the impact of certain events. Such estimates and assumptions might prove to be materially incorrect as a result of factors beyond NetCo's control and are subject to known and unknown risks, uncertainties and other factors.*

(2) **Non-recurring expenses** relate to events and transactions that, in the opinion of management, 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. Specifically, non-recurring events for the year ended December 31, 2022 and 2023 mainly include:

a) expenses related to COVID emergency prevention;
b) write-off, in 2023, of a positive income related to a Telenergia dispute; and
c) Personnel costs related to training.

(3) **Lease payments** refer to the actual cash outflows incurred in the year related to lease contracts.

NetCo Combined Pro-forma Reclassified Statement of Financial Position

The following table presents the NetCo Combined Pro-Forma Reclassified Statement of Financial Position as of December 31, 2023:

(millions of Euro)	Historical results of NetCo carve out (Audited)	Pro forma adjustments		NetCo Combined Pro Forma Statement of Financial Position (Unaudited)
		Effects of the Contracts	Other adjustements	
	(a)	(b)	(c)	(a+b+c)
Intangible assets with a finite useful life	239			239
Property, plant and equipment owned	9,720	(15)		9,705
Right of Use assets	2,537			2,537
Miscellaneous receivables and other non-current assets	525		47	572
Deferred tax assets	65			65
Total non-current assets	**13,086**	**(15)**	**47**	**13,118**
Inventories	43			43
Trade and miscellaneous receivables and other current assets	866	334	714	1,914
Employee benefits	(305)			(305)
Deferred tax liabilities	(20)			(20)
Provisions	(223)			(223)
Miscellaneous payables and other non-current liabilities	(582)			(582)
Trade and miscellaneous payables and other current liabilities	(1,951)	(23)	(742)	(2,716)
Income tax payables	(2)			(2)
Net Working Capital	**(2,174)**	**311**	**(28)**	**(1,891)**
Net Invested Capital	**10,912**	**296**	**19**	**11,227**
Net Financial Debt	5,556			5,556
Invested capital	5,356	296	19	5,671
Total	**10,912**	**296**	**19**	**11,227**

NetCo Pro-forma Net Financial Debt - After Lease

The following table presents the detail of the NetCo Pro-Forma Net Financial Position as of December 31, 2023:

(millions of Euro)	Historical results of NetCo carve out (Audited)	Pro forma adjustments		NetCo Combined Pro Forma Statement of Financial Position (Unaudited)
		Effects of the Contracts	Other adjustments	
	(a)	(b)	(c)	(a+b+c)
Amounts due to banks and other financial payables	3,584	-	-	3,584
Financial liabilities for lease contracts (a)	2,328	-	-	2,328
Gross financial debt	**5,912**	-	-	**5,912**
Financial receivables arising from lease contracts (b)	(181)	-	-	(181)
Financial receivables and other financial assets	(23)	-	-	(23)
Cash and cash equivalents	(152)	-	-	(152)
Financial assets	**(356)**	-	-	**(356)**
Net Financial Debt	**5,556**	-	-	**5,556**
Leases (a+b)	(2,147)	-	-	(2,147)
Net Financial Debt - After Lease	**3,409**	-	-	**3,409**

2022 NETCO UNAUDITED COMBINED PRO FORMA CARVE-OUT FINANCIAL INFORMATION

1.3 2022 NetCo Unaudited Combined Pro Forma Carve-Out Income Statement

(millions of Euro)	Historical results of NetCo carve out (Audited)	Pro forma adjustments		NetCo Combined Pro Forma Income Statement (Unaudited)
		Effects of the Contracts	Other adjustments	
	a	b	c	a+b+c
	(Note 1)	*(Note 2)*	*(Note 3)*	
Revenues	**1,896**	**1,962**		**3,858**
Other income	99	145		244
Acquisition of goods and services	(826)	(158)	23	(961)
Employee benefits expenses	(1,056)		6	(1,050)
Other operating expenses /Changes in inventories/Internally generated assets	132	(15)		117
EBITDA	**245**	**1,934**	**29**	**2,208**
Depreciation and amortization/ Gains (losses) on disposals and impairment reversals (losses) on non-current assets	(1,535)			(1,535)
Operating profit (loss) (EBIT)	**(1,290)**	**1,934**	**29**	**673**
Finance income (expenses), net	(239)			(239)
Profit (loss) before tax from continuing Operations	**(1,529)**	**1,934**	**29**	**434**
Income tax expense	(182)		52	(130)
Profit (loss) from continuing operations	**(1,711)**	**1,934**	**81**	**304**
Profit (loss) for the year	**(1,711)**	**1,934**	**81**	**304**

Explanatory notes to 2022 Combined Pro Forma Carve-Out Income Statements

Note 1 – Historical results of NetCo carve out

This column includes the Company's combined income statement for the financial year December 31, 2022, taken from the NetCo Combined Carve Out Financial Information as at December 31,2023 and 2022.

Note 2 – Effects of the Contracts

This column presents the pro-forma adjustments derived from the application of the MSA and TSA for the year ended December 31, 2022.

Revenues and Other income generated by the MSA and the TSA are equal to Euro 2,107 million, as reported in the table below:

(millions of Euro)	***Pro-forma adjustments***
MSA Services	
(a) Access	1,469
(b) Assurance	133
(c) Delivery	62
(d) Industrial Colocation	193
(e) Engineering	145
(f) Real Estate and DC	22

(g) Other Services	127
(h) Energy	63
Total MSA Services	**2,214**
(i) TSA Services	6
Total revenues and other income - gross	**2,220**
Elimination of previous MSA/TSA contract and Others	*(113)*
Total Revenues and Other income - net	**2,107**
Breakdown as follow:	
Revenues	*1,962*
Other income	*145*

(a) Access

The pro-forma adjustment amounts to Euro 1,469 million and includes the fees for access services based on fiber or copper needed to provide voice and broadband service to retail customers calculated as the product of unit prices defined by NetCo MSA and average quantities for the period extracted from operational systems.

(b) Assurance

The pro-forma adjustment amounts to Euro 133 million and includes the fees for Technical assurance support for copper and fiber network calculated as the product of unit prices defined by NetCo MSA (differentiated by technology and customer segment, depending on fault rate) average quantities for the period extracted from operational systems.

(c) Delivery

The pro-forma adjustment amounts to Euro 62 million and includes the fees for Standard and Premium installation and configuration of equipment at customer site calculated as the product of unit prices defined by NetCo MSA and quantities extracted from operational systems.

(d) Industrial Colocation

The pro-forma adjustment amounts to Euro 193 million and includes the fees for an identified portion of a Central Office suitable to host Network Elements and Computers including spaces, facility management, security, Energy & Conditioning services. Colocation revenues have been calculated based on the occupied spaces and energy consumptions of the equipment used by TIM and price per colocation service defined in MSA.

(e) Engineering

The pro-forma adjustment amounts to Euro 145 million and includes the fees for Fixed IP Transport and Mobile Network Creation and Operation and Maintenance. Service catalogue is based on the work plan for Network Development and volume of assets managed (nodes) for O&M. Unit prices are defined by NetCo MSA.

(f) Real Estate and DC

The pro-forma adjustment amounts to Euro 22 million and includes the fees for rental of office and data center spaces and related utilities. Revenues have been calculated based on the estimated office space per FTE plus data center spaces used by TIM and price per space and utilities defined in MSA.

(g) Other Services

The pro-forma adjustment amounts to Euro 127 million and includes the fees mainly for Mobile Backhauling, KIT VULA, Legacy Voice, Radio Links.

- Backhaul revenues refer to the access services to the telecommunications network that carries traffic from the edge of the network (such as a cell tower or small cell) to the core network. Prices are regulated by NetCo MSA and the quantities are extracted from operational system
- KIT VULA revenues include fees for equipment and connections needed for the delivery of intermediate services (VULA C and VULA H) purchased by TIM from NetCo's network; The price is regulated and approved by AGCOM.
- Legacy Voice Revenues are related to the management of the legacy traffic generated by TIM customers. The price is regulated and approved by AGCOM. Revenues have been calculated based on the total traffic in TDM (both terminated and originated) multiplied by the respective regulated prices.
- Radio links revenues mainly relate to maintenance and spectrum costs of radio links equipment used by TIM for Mobile backhauling.

(h) Energy

The pro-forma adjustment amounts to Euro 63 million and includes the fees for the services for energy purchase, dispatchment, transportation and related administrative management that NetCo, through Telenergia, will provide to TIM and its Affiliates. The energy revenues are mainly related to TIM Data center and Mobile network energy consumption and Unit energy price is equal to the sum of cost of purchased energy (pass-through), accessory costs (dispatch, transportation), and service fee to cover Telenergia internal costs.

(i) TSA - IT OSS Transitional Service

The pro-forma adjustment amounts to Euro 6 milion and includes the fees for the management of the shared IT OSS (Operational Support System) Systems and Platforms assigned to NetCo and used by TIM calculated as the sum of internal and external NetCo costs (extracted from accounting systems) plus a service fee.

Costs incurred by NetCo and arising under the MSA and the TSA are equal to Euro 173 million, as reported in the table below***:***

(millions of Euro)	**Total adjustments**
MSA services	
(a) Data center and central spaces	45
(b) TLC fixed and mobile	14
(c) IT BSS	23
(d) Banda Bitstream	61
Total MSA Services	**143**
(e) TSA services	30
Total acquisition of goods and services	**173**
Breakdown as follow:	
Acquisition of goods and services	*158*
Other operating expenses /Changes in inventories/Internally generated assets	*15*

(a) Data center and central spaces

The pro-forma adjustment in question amounts to Euro 45 million and includes the fees for:

- Data Center standard services, Public Cloud Services (always managed by TIM) and On Demand Services that are provided by TIM related to the NetCo IT Systems used exclusively in relation to the NetCo Business and the NetCo IT Systems used in relation to both the NetCo and TIM Business. Data Center Service Costs are based on the service catalogue according to a unitary price applicable to each Data Center Service used by NetCo. Unit prices are listed in the NetCo MSA.
- Space for Network Central offices in TIM Buildings. The space fees are defined in MSA.

(b) TLC fixed and mobile

The pro-forma adjustment amounts to Euro 14 million and includes the fees for:

- Office Mobile Services that include mobile voice, messages and data services, using SIM Cards in smartphones, tablets and other mobile devices or M2M Smart solution for the management of Internet of Things connectivity. Prices defined in MSA are based on the service catalogue according to a unitary price applicable for the different services used by Netco for its employees.
- Corporate network services to connect NetCo offices and central exchanges through the “Rete Dati di Gruppo” (“RDG”). RDG is TIM’s corporate network, which provides access, aggregation and transport of IP traffic among network elements and Offices. NetCo shall pay to TIM the annual fee set forth in MSA for the provision of the Corporate Network Services, which shall be calculated based on the Number of employees, Network equipment and OSS/BSS system, lines and connections and total data traffic.

(c) IT BSS- Communication and Collaboration Services

The pro-forma adjustment amounts to Euro 23 million which include fees for the end-to-end collaboration management, mail, identity and access management, IT Back Office, workplace management, including the Digital Employee Experience and Digital Communication and Collaboration. The IT BSS-Communication and Collaboration fees are calculated according to an annual amount based on number of workstations (PC, Laptop, Virtual Desktop). The fee includes Microsoft Windows and Microsoft Office 365 Licenses for the workplace and the laptop/desktop rental.

(d) Banda Bitstream

The pro-forma adjustment amounts to Euro 61 million and includes the fees for the IP transport needed to implement the OLO’s wholesale services that require IP bandwith. The total cost is determined as sum

of total OLO's Bitstream Bandwidth Regulated revenues (extracted from accounting systems) net of the commercialization margin (currently used and regulated by AGCOM) and a percentage defined in the MSA of the revenues related to the not regulated services.

(e) TSA

The pro-forma adjustment amounts to Euro 30 million and includes the fees for:

- TIM Hybrid Systems Services mainly include the development and management activities provided by TIM to NetCo with respect to the TIM Hybrid systems.
- The Cyber Security Engineering.&Operations Services mainly include a set of security tools, which shall be provided by TIM to NetCo, aimed at protecting the network and IT components, workstations ("PdL"), data/information, as well as the management of accounts cycle of NetCo.
- The Cyber Security & SOC Services that shall be provided by TIM to NetCo.
- The Judicial Authority Services include a set of services, which shall be provided by TIM to NetCo, so as to allow NetCo to comply with the mandatory legal requirements provided under Italian applicable law ("Codice delle Comunicazioni"), regarding judicial requests required by operation of law for telecommunication operators.
- ICT Risk management.
- Accounting Support.
- Tax.
- Payroll.
- Telco Cloud Infrastructure service shall be provided by TIM to NetCo, including the hosting services for NetCo Virtual Network Functions (VNFs) running on TIM cloud infrastructures (Telco Cloud shared IaaS Environment) other than Noovle Data Centers.

Note 3 – Other adjustments

Costs related to other adjustments are equal to Euro 29 million, as reported in the table below:

(millions of Euro)	*Pro-forma adjustments* MOS/MOI
Acquisition of goods and services	24
Employee benefits expenses	5
Total other adjustments	**29**

MOS/MOI

The pro-forma adjustment in amounts to Euro 29 million and relates to the deferred expenses adjustment relating to external (i.e. acquisition of goods and services) and internal (i.e. employee benefits expenses) costs corresponding to 7/8 of activation costs towards TIM.

Income tax expenses

Income tax expenses of the 2022 NetCo Pro Forma Combined Income Statement amount to Euro 130 million, calculated applying the IRES notional tax rate (24%) to the *Pro Forma Combined Profit before tax from continuing operations* and the IRAP notional tax rate (4.5%) to the *Pro Forma Combined Operating profit (EBIT)*. Therefore, the Pro Forma adjustment on the Income tax expenses has been determined as difference between the amount above described and the historical income tax expenses of the NetCo Combined Carve out.

CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

TIM AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

1. Consolidated Statements of Financial Position F-8
2. Separate Consolidated Income Statement F-10
3. Consolidated Statements of Comprehensive Income F-11
4. Consolidated Statements of Changes in Equity F-12
5. Consolidated Statements of Cash Flows F-13
6. Note 1 Form, content and other general information F-15
7. Note 2 Accounting policies F-17
8. Note 3 Scope of consolidation........ F-32
9. Note 4 Business combinations F-34
10. Note 5 Goodwill F-35
11. Note 6 Intangible assets with a finite useful life F-38
12. Note 7 Tangible assets........ F-40
13. Note 8 Rights of use assets........ F-42
14. Note 9 Investments........ F-43
15. Note 10 Non-current and current financial assets F-46
16. Note 11 Miscellaneous receivables and other non-current assets........ F-48
17. Note 12 Income tax expense (current and deferred)........ F-50
18. Note 13 Inventories F-53
19. Note 14 Trade and miscellaneous receivables and other current assets F-54
20. Note 15 Equity F-56
21. Note 16 Non-current and current financial liabilities........ F-59
22. Note 17 Net financial debt F-64
23. Note 18 Financial risk management........ F-68
24. Note 19 Derivatives........ F-72
25. Note 20 Supplementary disclosures on financial instruments........ F-77
26. Note 21 Employee benefits F-82
27. Note 22 Provisions F-84
28. Note 23 Miscellaneous payables and other non-current liabilities........ F-85
29. Note 24 Trade and miscellaneous payables and other current liabilities........ F-86
30. Note 25 Disputes and pending legal actions, other information, commitments and guarantees F-88
31. Note 26 Revenues F-103
32. Note 27 Other income F-103
33. Note 28 Acquisition of goods and services F-103
34. Note 29 Employee benefits expenses........ F-104

35. Note 30 Other operating expenses F-105
36. Note 31 Internally generated assets F-105
37. Note 32 Depreciation and amortization F-106
38. Note 33 Gains/(losses) on disposals of non-current assets F-106
39. Note 34 Impairment reversals (losses) on non-current assets F-107
40. Note 35 Other income (expenses) from investments F-107
41. Note 36 Finance income and expenses F-108
42. Note 37 Profit (loss) for the year F-110
43. Note 38 Earnings per share F-111
44. Note 39 Segment reporting F-113
45. Note 40 Related-party transactions F-116
46. Note 41 Equity compensation plans F-126
47. Note 42 Significant non-recurring events and transactions F-130
48. Note 43 Positions or transactions resulting from atypical and/or unusual operations F-131
49. Note 44 Other information F-131
50. Note 45 Events after December 31, 2023 ..... F-134
51. Note 46 List of companies of the TIM Group F-135
52. Certification of the Consolidated Financial Statements pursuant to Article 81-ter of CONSOB Regulation 11971 dated May 14, 1999, as amended F-139
53. Independent Auditors' Report F-141

TIM AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

1. Consolidated Statements of Financial Position F-152
2. Separate Consolidated Income Statement F-154
3. Consolidated Statements of Comprehensive Income F-155
4. Consolidated Statements of Changes in Equity F-156
5. Consolidated Statements of Cash Flows F-157
6. Note 1 Form, content and other general information F-159
7. Note 2 Accounting policies F-161
8. Note 3 Scope of consolidation F-174
9. Note 4 Business combinations F-176
10. Note 5 Goodwill F-178
11. Note 6 Intangible assets with a finite useful life F-181
12. Note 7 Tangible assets F-183
13. Note 8 Rights of use assets F-185
14. Note 9 Investments F-186
15. Note 10 Non-current and current financial assets F-189

16. Note 11 Miscellaneous receivables and other non-current assets........ F-190
17. Note 12 Income tax expense (current and deferred)........ F-192
18. Note 13 Inventories........ F-195
19. Note 14 Trade and miscellaneous receivables and other current assets........ F-196
20. Note 15 Equity........ F-198
21. Note 16 Non-current and current financial liabilities........ F-201
22. Note 17 Net financial debt........ F-206
23. Note 18 Financial risk management........ F-208
24. Note 19 Derivatives........ F-212
25. Note 20 Supplementary disclosures on financial instruments........ F-217
26. Note 21 Employee benefits........ F-222
27. Note 22 Provisions........ F-224
28. Note 23 Miscellaneous payables and other non-current liabilities........ F-225
29. Note 24 Trade and miscellaneous payables and other current liabilities........ F-226
30. Note 25 Disputes and pending legal actions, other information, commitments and guarantees........ F-227
31. Note 26 Revenues........ F-242
32. Note 27 Other income........ F-242
33. Note 28 Acquisition of goods and services........ F-243
34. Note 29 Employee benefits expenses........ F-243
35. Note 30 Other operating expenses........ F-244
36. Note 31 Internally generated assets........ F-244
37. Note 32 Depreciation and amortization........ F-245
38. Note 33 Gains/(losses) on disposals of non-current assets........ F-245
39. Note 34 Impairment reversals (losses) on non-current assets........ F-246
40. Note 35 Other income (expenses) from investments........ F-246
41. Note 36 Finance income and expenses........ F-247
42. Note 37 Profit (loss) for the year........ F-248
43. Note 38 Earnings per share........ F-249
44. Note 39 Segment reporting........ F-251
45. Note 40 Related-party transactions........ F-254
46. Note 41 Equity compensation plans........ F-267
47. Note 42 Significant non-recurring events and transactions........ F-271
48. Note 43 Positions or transactions resulting from atypical and/or unusual operations........ F-272
49. Note 44 Other information........ F-273
50. Note 45 Events subsequent to December 31, 2022........ F-275
51. Note 46 List of companies of the TIM Group........ F-277
52. Certification of the Consolidated Financial Statements pursuant to Article 81-ter of CONSOB Regulation 11971 dated May 14, 1999, with amendments and additions........ F-281

53. Independent Auditors' Report F-283

TIM AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

1. Consolidated Statements of Financial Position F-293
2. Separate Consolidated Income Statement F-295
3. Consolidated Statements of Comprehensive Income F-296
4. Consolidated Statements of Changes in Equity F-297
5. Consolidated Statements of Cash Flows F-298
6. Note 1 Form, content and other general information F-300
7. Note 2 Accounting policies F-302
8. Note 3 Scope of consolidation F-316
9. Note 4 Goodwill F-319
10. Note 5 Intangible assets with a finite useful life F-321
11. Note 6 Tangible assets F-323
12. Note 7 Rights of use assets F-325
13. Note 8 Investments F-327
14. Note 9 Non-current and current financial assets F-329
15. Note 10 Miscellaneous receivables and other non-current assets F-331
16. Note 11 Income tax expense (current and deferred) F-332
17. Note 12 Inventories F-336
18. Note 13 Trade and miscellaneous receivables and other current assets F-337
19. Note 14 Equity F-339
20. Note 15 Non-current and current financial liabilities F-342
21. Note 16 Net financial debt F-348
22. Note 17 Financial risk management F-350
23. Note 18 Derivatives F-355
24. Note 19 Supplementary disclosures on financial instruments F-359
25. Note 20 Provisions for employee benefits F-364
26. Note 21 Provisions F-367
27. Note 22 Miscellaneous payables and other non-current liabilities F-368
28. Note 23 Trade and miscellaneous payables and other current liabilities F-369
29. Note 24 Disputes and pending legal actions, other information, commitments and guarantees F-371
30. Note 25 Revenues F-386
31. Note 26 Other income F-386
32. Note 27 Acquisition of goods and services F-387
33. Note 28 Employee benefits expenses F-388
34. Note 29 Other operating expenses F-389

35. Note 30 Internally generated assets F-389
36. Note 31 Depreciation and amortization F-390
37. Note 32 Gains/(losses) on disposals of non-current assets F-390
38. Note 33 Impairment reversals (losses) on non-current assets F-391
39. Note 34 Other income (expenses) from investments F-391
40. Note 35 Finance income and expenses F-392
41. Note 36 Profit (loss) for the year F-394
42. Note 37 Earnings per share F-395
43. Note 38 Segment reporting F-398
44. Note 39 Related-party transactions F-401
45. Note 40 Equity compensation plans F-412
46. Note 41 Significant non-recurring events and transactions F-416
47. Note 42 Positions or transactions resulting from atypical and/or unusual operations F-417
48. Note 43 Other information F-418
49. Note 44 Events subsequent to December 31, 2021 .... F-420
50. Note 45 List of companies of the TIM Group F-421
51. Certification of the Consolidated Financial Statements pursuant to Article 81-ter of CONSOB Regulation 11971 dated May 14, 1999,with amendments and additions F-425
52. Independent Auditors' Report F-427

NETCO AUDITED COMBINED CARVE-OUT FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

1. Combined Carve Out Statements of Financial Position F-437
2. Combined Carve out Income Statement F-438
3. Note 1 General Information F-439
4. Note 2 Summary of the Carve out criteria and accounting policies adopted for the preparation of the financial information F-440
5. Note 3 Goodwill and intangible assets with a finite useful life F-448
6. Note 4 Property, plant and equipment owner F-449
7. Note 5 Rights of use assets F-450
8. Note 6 Miscellaneous receivables and other non-current assets F-450
9. Note 7 Income taxes F-451
10. Note 8 Inventories F-452
11. Note 9 Trade and miscellaneous receivables and other current assets F-452
12. Note 10 Non-current and current financial liabilities F-453
13. Note 11 Net financial position F-454
14. Note 12 Employee benefits F-455
15. Note 13 Provisions F-456

16.	Note 14 Miscellaneous payables and other non-current liabilities	F-456
17.	Note 15 Trade and miscellaneous payables and other current liabilities	F-457
18.	Note 16 Revenues	F-458
19.	Note 17 Other income	F-458
20.	Note 18 Acquisition of goods and services	F-458
21.	Note 19 Employee benefits expenses	F-459
22.	Note 20 Other operating expenses	F-459
23.	Note 21 Finance income and expenses	F-460
24.	Note 22 Related-party transactions	F-461
25.	Note 23 Significant non-recurring events and transactions	F-462
26.	Note 24 Other information	F-462
27.	Note 25 Events subsequent to December 31, 2023	F-463
28.	Independent Auditors' Report	F-465

TIM GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

(million euros)	notes	12.31.2023	*of which with related parties*	12.31.2022	*of which with related parties*
Non-current assets					
Intangible assets					
Goodwill	5)	19,170	—	19,111	—
Intangible assets with a finite useful life	6)	7,122	—	7,656	—
		26,292	—	**26,767**	—
Tangible assets	7)				
Property, plant and equipment owned		**14,692**	—	**14,100**	—
Rights of use assets	8)	**5,515**	*51*	**5,488**	*38*
Other non-current assets					
Investments in associates and joint ventures accounted for using the equity method	9)	537	—	539	—
Other investments	9)	140	—	116	—
Non-current financial receivables arising from lease contracts	10)	112	*64*	49	*1*
Other non-current financial assets	10)	1,103	—	1,602	—
Miscellaneous receivables and other non-current assets	11)	2,187	*2*	2,365	*1*
Deferred tax assets	12)	701	—	769	—
		4,780	—	**5,440**	—
Total Non-current assets	**(a)**	**51,279**	—	**51,795**	—
Current assets					
Inventories	13)	345	—	322	—
Trade and miscellaneous receivables and other current assets	14)	4,699	*94*	4,539	*81*
Current income tax receivables		191	—	147	—
Current financial assets	10)				
Current financial receivables arising from lease contracts		*162*	*53*	*69*	*11*
Securities other than investments, other financial receivables and other current financial assets		*2,571*	—	*1,600*	—
Cash and cash equivalents		*2,912*	—	*3,555*	—
		5,645	—	5,224	—
Current assets sub-total		**10,880**	—	**10,232**	—
Discontinued operations /Non-current assets held for sale					
of a financial nature		—	—	—	—
of a non-financial nature		—	—	—	—
		—	—	**—**	—
Total Current assets	**(b)**	**10,880**	—	**10,232**	—
Total Assets	**(a+b)**	**62,159**	—	**62,027**	—

Equity and liabilities

(million euros)	notes	12.31.2023	*of which with related parties*	12.31.2022	*of which with related parties*
Equity	15)				
Share capital issued		11,677	—	11,677	—
less: Treasury shares		(57)	—	(63)	—
Share capital		11,620	—	11,614	—
Additional paid-in capital		575	—	2,133	—
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year		1,451	—	1,314	—
Equity attributable to owners of the Parent		13,646	—	15,061	—
Non-controlling interests		3,867	—	3,664	—
Total Equity		17,513	—	18,725	—
Non-current liabilities					
Non-current financial liabilities for financing contracts and others	16)	21,284	—	21,739	—
Non-current financial liabilities for lease contracts	16)	4,743	*2*	4,597	*10*
Employee benefits	21)	511	—	684	—
Deferred tax liabilities	12)	83	—	84	—
Provisions	22)	679	—	910	—
Miscellaneous payables and other non-current liabilities	23)	1,326	*19*	1,146	*21*
Total Non-current liabilities	**(d)**	28,626		29,160	
Current liabilities					
Current financial liabilities for financing contracts and others	16)	5,771	*2*	5,039	—
Current financial liabilities for lease contracts	16)	838	*3*	870	*13*
Trade and miscellaneous payables and other current liabilities	24)	9,384	*123*	8,199	*149*
Income tax payables	12)	27	—	34	—
Current liabilities sub-total		16,020		14,142	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale					
of a financial nature		—	—	—	—
of a non-financial nature		—	—	—	—
		—	—	—	—
Total Current Liabilities	**(e)**	16,020	—	14,142	—
Total Liabilities	**(f=d+e)**	44,646	—	43,302	—
Total Equity and Liabilities	**(c+f)**	62,159	—	62,027	—

SEPARATE CONSOLIDATED INCOME STATEMENT

(million euros)	notes	Financial year 2023	of which with related parties	Financial year 2022	of which with related parties
Revenues	26)	**16,296**	*356*	**15,788**	*171*
Other income	27)	206	*(9)*	213	*3*
Total operating revenues and other income		**16,502**		**16,001**	
Acquisition of goods and services	28)	(7,518)	*(331)*	(7,239)	*(491)*
Employee benefits expenses	29)	(2,987)	*(91)*	(3,180)	*(100)*
Other operating expenses	30)	(872)	—	(816)	—
Change in inventories		47	—	22	—
Internally generated assets	31)	538	—	559	—
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**5,710**		**5,347**	
of which: impact of non-recurring items	42)	*(673)*		*(682)*	
Depreciation and amortization		(4,863)	*(5)*	(4,777)	*(33)*
Gains (losses) on disposals of non-current assets		(11)	—	36	—
Impairment reversals (losses) on non-current assets		—	—	—	—
Operating profit (loss) (EBIT)		**836**		**606**	
of which: impact of non-recurring items	42)	*(676)*		*(682)*	
Share of losses (profits) of associates and joint ventures accounted for using the equity method	9)	(29)	—	23	—
Other income (expenses) from investments		53	—	206	—
Finance income	36)	1,095	—	1,115	—
Finance expenses	36)	(2,835)	*(4)*	(2,538)	*(12)*
Profit (loss) before tax from continuing operations		**(880)**		**(588)**	
of which: impact of non-recurring items	42)	*(669)*		*(490)*	
Income tax expense	12)	(227)	—	(2,066)	—
Profit (loss) from continuing operations		**(1,107)**		**(2,654)**	
Profit (loss) from Discontinued operations/Non-current assets held for sale		**—**		**—**	
Profit/(Loss) for the year	37)	**(1,107)**		**(2,654)**	
of which: impact of non-recurring items	42)	*(670)*		*(2,437)*	
Attributable to:					
Owners of the Parent		**(1,441)**		**(2,925)**	
Non-controlling interests		334		271	

(euros)		Financial year 2023	Financial year 2022
Earnings per share:	38)		
Basic and Diluted Earnings Per Share (EPS)			
Ordinary Share		(0.07)	(0.14)
Savings Share		(0.07)	(0.14)
of which:			
from Continuing operations attributable to Owners of the Parent			
Ordinary Share		(0.07)	(0.14)
Savings Share		(0.07)	(0.14)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note 15

(million euros)		Financial year 2023	Financial year 2022
Profit/(Loss) for the year	**(a)**	**(1,107)**	**(2,654)**
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		3	(2)
Income tax effect		—	—
	(b)	**3**	**(2)**
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		(8)	77
Income tax effect		—	(17)
	(c)	**(8)**	**60**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Income tax effect		—	—
	(d)	—	—
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	**(e=b+c+d)**	**(5)**	**58**
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		43	(130)
Loss (profit) transferred to Separate Consolidated Income Statement		(9)	21
Income tax effect		(1)	4
	(f)	**33**	**(105)**
Hedging instruments:			
Profit (loss) from fair value adjustments		(382)	488
Loss (profit) transferred to Separate Consolidated Income Statement		192	(235)
Income tax effect		45	(61)
	(g)	**(145)**	**192**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		189	597
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	**189**	**597**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Loss (profit) transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(i)	—	—
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	**(k=f+g+h+i)**	**77**	**684**
Total other components of the Consolidated Statement of Comprehensive Income	**(m=e+k)**	**72**	**742**
Total comprehensive income (loss) for the year	**(a+m)**	**(1,035)**	**(1,912)**
Attributable to:			
Owners of the Parent		**(1,432)**	**(2,365)**
Non-controlling interests		397	453

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2022 to December 31, 2022

(million euros)	Equity attributable to owners of the Parent									Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	Total		
Balance at December 31, 2021	**11,614**	**2,133**	**49**	**(128)**	**(2,500)**	**(130)**	**—**	**6,376**	**17,414**	**4,625**	**22,039**
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	—	**—**	(86)	**(86)**
Total comprehensive income (loss) for the year	—	—	(107)	193	415	59	—	(2,925)	**(2,365)**	453	**(1,912)**
Issue of equity instruments	—	—	—	—	—	—	—	6	**6**	—	**6**
Daphne3 - deconsolidation	—	—	—	—	—	—	—	—	**—**	(1,332)	**(1,332)**
Other changes	—	—	—	—	—	—	—	6	**6**	4	**10**
Balance at December 31, 2022	**11,614**	**2,133**	**(58)**	**65**	**(2,085)**	**(71)**	**—**	**3,463**	**15,061**	**3,664**	**18,725**

Changes from January 1, 2023 to December 31, 2023 Note 15

(million euros)	Equity attributable to owners of the Parent									Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	Total		
Balance at December 31, 2022	**11,614**	**2,133**	**(58)**	**65**	**(2,085)**	**(71)**	**—**	**3,463**	**15,061**	**3,664**	**18,725**
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	—	**—**	(197)	**(197)**
Total comprehensive income (loss) for the year	—	—	36	(145)	126	(8)	—	(1,441)	**(1,432)**	397	**(1,035)**
Disposal of treasury shares under the LTI Plan	6	—	—	—	—	—	—	(6)	**—**	—	**—**
Equity instruments	—	—	—	—	—	—	—	2	**2**	—	**2**
Other changes	—	(1,558)	—	—	—	—	—	1,573	**15**	3	**18**
Balance at December 31, 2023	**11,620**	**575**	**(22)**	**(80)**	**(1,959)**	**(79)**	**—**	**3,591**	**13,646**	**3,867**	**17,513**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)	notes	Financial year 2023	Financial year 2022
Cash flows from operating activities:			
Profit (loss) from continuing operations		(1,107)	(2,654)
Adjustments for:			
Depreciation and amortization		4,863	4,777
Impairment losses (reversals) on non-current assets (including investments)		(6)	9
Net change in deferred tax assets and liabilities		148	2,645
Losses (gains) realized on disposals of non-current assets (including investments)		(35)	(242)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		29	(23)
Change in employee benefits		(291)	156
Change in inventories		(31)	(35)
Change in trade receivables and other net receivables		(39)	(81)
Change in trade payables		191	484
Net change in income tax receivables/payables		(21)	(478)
Net change in miscellaneous receivables/payables and other assets/liabilities		243	337
Cash flows from (used in) operating activities	**(a)**	**3,944**	**4,895**
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(3,969)	(6,305)
Contributions for plants received		758	3
Acquisition of control of companies or other businesses, net of cash acquired		19	(1,316)
Acquisitions/disposals of other investments		(49)	(26)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	(1)	(919)	969
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		—	1,278
Proceeds from sale/repayments of intangible, tangible and other non-current assets		11	62
Cash flows from (used in) investing activities	**(b)**	**(4,149)**	**(5,335)**
Cash flows from financing activities:			
Change in current financial liabilities and other		241	(436)
Proceeds from non-current financial liabilities (including current portion)		4,037	2,288
Repayments of non-current financial liabilities (including current portion)		(4,607)	(4,615)
Change in hedging and non-hedging derivatives		68	(36)
Share capital proceeds/reimbursements (including subsidiaries)		—	2
Dividends paid(*)		(189)	(68)
Changes in ownership interests in consolidated subsidiaries		(6)	(4)
Cash flows from (used in) financing activities	**(c)**	**(456)**	**(2,869)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**—**	**—**
Aggregate cash flows	**(e=a+b+c+d)**	**(661)**	**(3,309)**
Net cash and cash equivalents at beginning of the year	**(f)**	**3,555**	**6,904**
Net foreign exchange differences on net cash and cash equivalents	**(g)**	18	(40)
Net cash and cash equivalents at end of the year	**(h=e+f+g)**	**2,912**	**3,555**
(*) of which from related parties		—	—

(1) This item includes investments in marketable securities amounting to 2,342 million euros in 2023 (3,042 million eurosin 2022) and redemptions of marketable securities amounting to 1,995 million euros in 2023 (3,924 million euros in 2022), relating to TIM S.A. and Telecom Italia Finance S.A..

Purchase of intangible, tangible and rights of use assets

(million euros)	notes	Financial year 2023	Financial year 2022
Purchase of intangible assets	6)	(912)	(1,128)
Purchase of tangible assets	7)	(2,941)	(2,828)
Purchase of rights of use assets	8)	(1,216)	(953)
Total purchase of intangible, tangible and rights of use assets on an accrual basis(*)		(5,069)	(4,909)
Change in payables arising from purchase of intangible, tangible and rights of use assets		1,100	(1,396)
Total purchases of intangible, tangible and rights of use assets on a cash basis		(3,969)	(6,305)
(*) of which from related parties		66	71

Additional Cash Flow information

(million euros)	Financial year 2023	Financial year 2022
Income taxes (paid) received	(117)	164
Interest expense paid	(2,103)	(1,668)
Interest income received	597	562
Dividends received	20	155

Analysis of Net Cash and Cash Equivalents

(million euros)	Financial year 2023	Financial year 2022
Net cash and cash equivalents at beginning of the year:		
Cash and cash equivalents - from continuing operations	3,555	6,904
Bank overdrafts repayable on demand – from continuing operations	—	—
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	—
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	3,555	**6,904**
Net cash and cash equivalents at end of the year:		
Cash and cash equivalents - from continuing operations	2,912	3,555
Bank overdrafts repayable on demand – from continuing operations	—	—
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	—
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	2,912	**3,555**

The supplementary disclosures required by IAS 7 are provided in Note 17 “Net financial debt”.

NOTE 1
FORM, CONTENT AND OTHER GENERAL INFORMATION

Form and content

Telecom Italia S.p.A. (the “**Parent Company**”), also known in short as “TIM S.p.A.”, and its subsidiaries form the “**TIM Group**” (the “**Group**”).

TIM is a joint-stock company (S.p.A.) organized under the laws of the Republic of Italy.

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

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

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

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

The TIM Group's Consolidated Financial Statements at December 31, 2023, have been prepared on a going concern basis (further details are provided in the Note “Accounting Policies”) and in accordance with the recognition and measurement criteria of the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as “IFRS”), as well as laws and regulations in force in Italy.

In 2023, the Group adopted accounting policies consistent with those of the previous year, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2023. See the Note "Accounting policies" for more details.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit and loss, and derivative financial instruments, which have been measured at fair value. The carrying amounts of hedged assets and liabilities have been adjusted to reflect the changes in fair value of the hedged risks (fair value hedge).

In accordance with IAS 1 (Presentation of Financial Statements) comparative information included in the consolidated financial statements refers, unless otherwise indicated, to the previous year.

The TIM Group consolidated financial statements as at December 31, 2023 are expressed in euro (rounded to the nearest million unless otherwise indicated).

The publication of the consolidated financial statements for the year ended December 31, 2023 of the TIM Group was approved by resolution of the Board of Directors on March 6, 2024.

Financial statement formats

The financial statement formats adopted are consistent with those indicated in IAS 1. More specifically:

- the **Consolidated statements of financial position** have been prepared by classifying assets and liabilities according to the "current and non-current" criterion;
- the **Separate Consolidated Income Statement** has been prepared by classifying operating costs by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting, and is in line with the TIM Group's industrial sector.

In addition to EBIT or Operating profit (loss), the separate consolidated income statements include the alternative performance measure of EBITDA or Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets.

In particular, besides EBIT, EBITDA is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). This indicator represents a useful unit of measurement for assessing the operating performance of the Group (as a whole and at Business Unit level).

EBIT and EBITDA are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of 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	

- the **Consolidated statements of comprehensive income** include the profit or loss for the year as shown in the Separate Consolidated Income Statement and all other non-owner changes in equity;
- the **Consolidated statements of cash flows** have been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, as required by Consob Resolution 15519 of July 27, 2006, in the separate consolidated income statement, income and expenses relating to transactions which by nature do not occur during normal operation (non-recurring transactions) have been specifically identified and their impacts on the main intermediate levels have been shown separately, when they are significant. Specifically, non-recurring income/(expenses) include, for instance: income/expenses arising from the sale of property, plant and equipment, business segments and investments; expenses stemming from company reorganization and streamlining processes and projects, also in connection with corporate transactions (mergers, spin-offs, etc.); expenses resulting from litigation and regulatory sanctions and related liabilities; other provisions and related reversals; costs for the settlement of disputes other than regulatory disputes; adjustments, realignments and other non-recurring items, also relating to previous years; impairment losses on goodwill and/or other intangible and tangible assets.

Also in reference to the above Consob Resolution, the amounts relating to balances or transactions with related parties have been shown separately in the consolidated financial statements.

Segment reporting

An operating segment is a component of an entity:

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

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

The term “operating segment” is considered synonymous with “Business Unit”.

The operating segments of the TIM Group are as follows:

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

In the course of 2024, once the Group's transformation process aimed at overcoming the vertically integrated model has been completed and the sale of TIM's fixed network business ("NetCo") has been completed, an assessment will be carried out to identify the operating segments in accordance with IFRS 8, with reference to the specific indications provided for by the standard itself (autonomy of operating flows, methods of allocating financial resources, management reporting, etc.).

NOTE 2
ACCOUNTING POLICIES

Going concern

The consolidated financial statements for the business year 2023 have been prepared on a going concern basis, as there is the reasonable expectation that TIM will continue conducting its business in the foreseeable future (and, in any event, over a period of at least twelve months).
In particular, the following factors have been taken into consideration:

- the main risks and uncertainties (that are for the most part of an external nature) to which the Group and the various activities of the TIM Group are exposed:
  - variations in business conditions, also related to competition;
  - financial risks (interest rate and/or exchange rate trends, changes in the Group's credit rating by rating agencies);
  - macroeconomic changes in the Italian, European and Brazilian markets and financial market volatility due to recessionary and inflationary risks. In particular, these risks relate to the increasing costs of raw materials and energy, including as a result of the Russian-Ukrainian conflict;
  - changes in the legislative and regulatory context (changes in prices and tariffs or decisions that may influence technological choices); and
  - the outcome of the legal and regulatory authority proceedings.
- the optimal mix between risk capital and debt capital, as well as the policy for the remuneration of risk capital, as described in the section "Share capital information" under the Note "Equity";
- the policy for financial risk management (market risk, credit risk and liquidity risk), as described in the Note "Financial risk management".

Based on these factors, the Management believes that, at the present time, there are no elements of uncertainty regarding the Group's ability to continue as a going concern.

Principles of consolidation

The consolidated financial statements include the financial statements of all subsidiaries from the date on which control over such subsidiaries commences until the date on which control ceases.

The date of all the subsidiaries' financial statements coincides with that of the Parent company, TIM.

Control exists when the Parent company TIM S.p.A. has all the following:

- decision-making power over the investee, which includes the ability to direct the relevant activities of the investee, i.e. the activities that significantly affect the investee's returns;
- entitlement to the variable profits or losses commensurate with its shareholding in the investee;
- the ability to use its decision-making to determine the amount of the returns relating to its shareholding in the entity.

TIM assesses whether it controls an investee if facts and circumstances indicate that there are changes in one or more of the three control elements.

In the preparation of the consolidated financial statements, the global amounts of the assets, liabilities, costs and revenues of the consolidated companies are recognized on a line-by-line basis, while the share of equity and the year's result of non-controlling interest is recognized is disclosed separately under appropriate items in the consolidated statements of financial position, in the separate consolidated income statement and in the consolidated statements of comprehensive income.

Under IFRS 10 (Consolidated financial statements), the comprehensive loss (including the profit or loss for the year) is attributed to the owners of the parent and to non-controlling interest even when the equity of non-controlling interest has a deficit balance.

All intragroup balances and transactions and any gains and losses arising from intragroup transactions are eliminated in consolidation.

The carrying amount of the investment in each subsidiary is eliminated against the corresponding share of equity in each subsidiary, after adjustment, if any, to fair value at the date of acquisition of control. At that date, goodwill is recorded as an intangible asset, as described below, whereas any profit from a bargain purchase (or negative goodwill) is recognized in the separate consolidated income statement.

All the assets and liabilities expressed in currencies other than euro of foreign consolidated entities that are included in the consolidation are translated using the exchange rates in effect at the reporting date (the current exchange rate method), while the related revenues and costs are translated at the average exchange rates for the year. Exchange differences resulting from the application of this method are classified as equity until the entire disposal of the investment or upon loss of control of the foreign subsidiary. Upon partial disposal, without losing control, the proportionate share of the cumulative amount of exchange differences related to the disposed interest is recognized as non-controlling interest equity. The cash flows of foreign consolidated subsidiaries expressed in currencies other than euro included in the consolidated statements of cash flows are translated into euro at the average exchange rates for the year.

Goodwill and fair value adjustments arising from the allocation of the purchase price of a foreign entity are recorded in the relevant foreign currency and are translated using the year-end exchange rate.

Under IFRS 10, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of controlling and non-controlling interests shall be adjusted to reflect the changes in their related interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

Under IFRS 10, the parent company in case of loss of control of a subsidiary:

- derecognizes:
  - the assets (including any goodwill) and the liabilities;
  - the carrying amount of any non-controlling interest;
- recognizes:
  - the fair value of any consideration received;
  - the fair value of any residual investment retained in the former subsidiary;
  - any profit or loss resulting from the transaction, in the separate consolidated income statement;
  - the reclassification to the separate consolidated income statement of the amounts previously recognized in other comprehensive income in relation to the subsidiary.

In the consolidated financial statements, investments in associates and joint ventures are accounted for using the equity method, as provided, respectively, by IAS 28 (Investments in Associates and Joint Ventures) and IFRS 11 (Joint Arrangements).

Associates are enterprises in which the Group holds at least 20% of the voting rights or exercises significant influence, but no control or joint control over their financial and operating policies.

A joint venture is a joint control arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the entity.

Joint control is the contractually agreed sharing of control of a business that exists only when decisions about the relevant business require the unanimous consent of the parties sharing control.

Associates and joint ventures are included in the consolidated financial statements from the date on which significant influence or joint control commences until the date on which significant influence or joint control ceases.

Under the equity method, on initial recognition the investment in an associate or joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognized in the separate consolidated income statement. Dividends received from an investee reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the investee's other comprehensive income (i.e. those arising from foreign exchange translation differences). The investor's share of those changes is recognized in the investor's other comprehensive income.

If an investor's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the investor discontinues recognizing its share of further losses. After the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Any other long-term interests (some types of preference shares and long-term loans) in an associate or joint venture are measured in accordance with IFRS 9.

Gains and losses resulting from "upstream" and "downstream" transactions between an investor (including its consolidated subsidiaries) and its associate or joint venture are recognized in the investor's financial statements only to the extent of unrelated investors' interests in the associate or joint venture.

The investor's share of profits and losses of the associate or joint venture arising from said transactions is eliminated.

Intangible assets

Goodwill

In accordance with IFRS 3 (Business Combinations), goodwill is recognized in the financial statements at the date of acquisition of control of a business and is determined as the excess of (a) over (b), as follows:

a) the aggregate of:

- the consideration transferred (measured in accordance with IFRS 3; it is generally recognized on the basis of the fair value at the acquisition date);
- the amount of any non-controlling interest in the acquiree measured proportionally to the non-controlling interest share of the acquiree's identifiable net assets shown at the related fair value;
- in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree;

b) the fair value of the identifiable assets acquired net of the identifiable liabilities assumed, measured at the date of acquisition of control.

IFRS 3 requires, inter alia, the following:

- incidental costs incurred in connection with a business combination to be charged to the separate income statements;
- in a business combination achieved in stages, the acquirer to remeasure its previously held equity interest in the acquiree at its fair value at the date of acquisition of control and recognize the resulting gain or loss, if any, in the separate income statements.

Goodwill is classified in the statement of financial position as an intangible asset with an indefinite useful life.

Goodwill initially recognized is subsequently reduced only by cumulative impairment losses (for more details, see the section "Impairment of intangible assets, tangible assets and rights of use assets - Goodwill", below). In case of loss of control of a subsidiary, the related amount of goodwill is taken into account in calculating the gain or loss on disposal.

Development costs

Costs incurred internally for the development of new products and services represent either intangible assets (mainly costs for software development) or tangible assets. These costs are capitalized only when all the following conditions are satisfied: i) the cost attributable to the development phase of the asset can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to complete the asset and make it available for use or sale, and iii) it can be demonstrated that the asset will be able to generate future economic benefits. Capitalized development costs comprise only incurred expenditures that can be attributed directly to the development process for new products and services.

Capitalized development costs are depreciated/amortized systematically over the estimated product or service life, so that the depreciation/amortization method reflects the way in which the asset's future economic benefits are expected to be consumed by the entity.

Other intangible assets with a finite useful life

Other purchased or internally-generated intangible assets with a finite useful life are recognized as assets, in accordance with IAS 38 (Intangible Assets), when the use of the asset is likely to generate future economic benefits and when the cost of the asset can be reliably measured.

Such assets are recorded at purchase or production cost and amortized on a straight-line basis over their estimated useful lives; the amortization rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Tangible assets

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property, plant and equipment. All other expenditures are recognized in the separate consolidated income statement as incurred.

The cost of these assets also includes the expected costs of dismantling the asset and restoring the site, if a legal or constructive obligation exists. The corresponding liability is recognized at its present value as a provision in the statement of financial position. The recognition in the separate consolidated income statement of the capitalized expenditure is done over the useful life of the related tangible assets through their depreciation.

The calculation of estimates for dismantling costs, discount rates and the dates in which such costs are expected to be incurred is reviewed annually at each financial year-end. Changes in the above liability must be recognized as an increase or decrease of the cost of the related asset; the amount deducted from the cost of the asset must not exceed its carrying amount. The excess, if any, is recorded immediately in the separate consolidated income statement, conventionally under the line item "Depreciation and Amortization".

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Land, including land pertaining to buildings, is not depreciated.

Rights of use assets

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.

On the commencement date of the lease, the right of use is recognized at cost including: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, initial direct costs incurred for the signature of the lease and the present value of the estimated restoration and dismantling costs set out in the lease, less any incentives.

Subsequently, the right of use is amortized over the term of the lease (or the useful life of the asset, if lower), subject to impairment and adjusted for any remeasurement of the lease liability.

The TIM Group attracts, under the scope of application of IFRS 16, if the criteria and the requirements laid down by the standard are met, the contract types concerning cloud software resources and the spectrum of transmission frequencies on optic fiber carriers. This approach is functional to the very innovative specificity of these types of contract, concerning hardware infrastructure and optical transmission as well as technologically-advanced software services.

Capitalized borrowing costs

Under IAS 23 (*Borrowing Costs*), the Group capitalizes borrowing costs only if they are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time (conventionally more than 12 months) to get ready for its intended use or sale.

Capitalized borrowing costs are recorded in the separate consolidated income statement and deducted directly from the "finance expenses" line item to which they relate.

Impairment of intangible, tangible and rights of use assets

Goodwill

Goodwill is tested for impairment at least annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired, as set forth in IAS 36 (Impairment of Assets); however, when the conditions that gave rise to an impairment loss no longer exist, the original amount of goodwill is not reinstated.

The test is generally conducted at the end of every year, so the date of testing is the year-end closing date of the financial statements. Goodwill acquired and allocated during the year is tested for impairment at the end of the year in which the acquisition and allocation took place.

For the purpose of verifying its recoverability, goodwill is allocated, from the acquisition date, to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the combination.

If the carrying amount of the cash-generating unit (or group of cash-generating units) exceeds the recoverable amount, an impairment loss is recognized in the separate consolidated income statement. The impairment loss is first recognized as a deduction of the carrying amount of goodwill allocated to the cash-generating unit (or group of cash-generating units) and only subsequently applied to the other assets of the cash-generating unit in proportion to their carrying amount, up to the recoverable amount of the assets with a finite useful life. The recoverable amount of a cash-generating unit (or group of cash-generating units) to which goodwill is allocated is the higher between the fair value less costs to sell and its value in use.

The fair value net of disposal costs is estimated on the basis of the income approach, insofar as this allows for the reflection of the benefits deriving from a new, different business structure in the future. In particular, the fair value net of disposal costs is based on the current value of the forecast cash flow, applying a discounting rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value.

In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value. The long-term growth rate used to estimate the terminal value of the cash-generating unit (or group of cash-generating units) is assumed not to be higher than the average long-term growth rate of the segment, country or market in which the cash-generating unit (or group of cash-generating units) operates.

The value in use of cash-generating units denominated in foreign currency is estimated in the local currency by discounting cash flows to present value on the basis of an appropriate rate for that currency. The present value obtained is translated to euro at the spot rate on the date of the impairment test (in the case of the TIM Group, the closing date of the financial statements).

Future cash flows are estimated by referring to the current operating conditions of the cash-generating unit (or group of cash-generating units) and, therefore, do not include either benefits originating from future restructuring for which the entity is not yet committed, or future investments for the improvement or optimization of the cash-generating unit.

For the purpose of calculating impairment, the carrying amount of the cash-generating unit is established based on the same criteria used to determine the recoverable amount of the cash-generating unit, excluding surplus assets (that is, financial assets, deferred tax assets and net non-current assets held for sale) and includes the goodwill attributable to non-controlling interest (minority shareholders).

After conducting the goodwill impairment test for the cash-generating unit (or groups of cash-generating units), a second level of impairment testing is carried out which includes the corporate assets which do not generate positive cash flows and which cannot be allocated by a reasonable and consistent criterion to the single units. At this second level, the total recoverable amount of all cash-generating units (or groups of cash-generating units) is compared to the carrying amount of all cash-generating units (or groups of cash-generating units), including also those cash-generating units to which no goodwill was allocated, and the corporate assets.

Tangible and intangible assets with finite useful lives and rights of use assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset – whether intangible or tangible with finite useful lives or a right of use – may be impaired. Both internal and external sources of information are used for this purpose. Internal sources include: obsolescence or physical deterioration, and significant changes in the use of the asset and the operating performance of the asset compared to estimated performance. External sources include: External sources include the market value of the asset, any changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments, and an excess of the carrying amount of the net assets of the Group over market capitalization.

If there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired, then its carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or right. If it is not possible to estimate the recoverable amount, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate consolidated income statement.

When the reasons for the impairment subsequently cease to exist, the carrying value of the asset/right-of-use or of the cash generating unit is increased up to the new estimate of the recoverable amount which, however, cannot exceed the amount that would have been determined had no impairment loss been recognized. The reversal of an impairment loss is recognized as income in the separate consolidated income statement.

Financial instruments

Business models for financial assets management

For the management of trade receivables, TIM Group Management has identified different business models based on the specific nature of the receivables, the type of counterparty and collection times. This was in order to optimize the management of working capital through the constant monitoring of the payment performance of customers, the steering of credit collection policies, and the management of programs for the disposal of receivables, and the activation of factoring consistent with financial planning requirements.

The business models adopted are:

- *Hold to Collect*: receivables usually held to maturity, such as trade receivables due from large customers and the OLOs for the Domestic Business Unit, and all receivables for the Brazil Business Unit; these instruments fall within the IFRS 9 category “Assets measured at amortized cost”. These receivables can be transferred, albeit not recurrently, if this is needed to optimize finances;
- *Hold to Collect and Sell*: receivables usually traded massively and on a recurring basis, such as, for the Domestic Business Unit, receivables due from active consumer, small and business customers held for sale; these instruments fall under IFRS 9 category "Financial assets measured at fair value through other comprehensive income". As required by IFRS 9, the related reserve is reversed to the separate consolidated income statement when disposed of or impaired.

As part of managing financial assets other than trade receivables, the TIM Group's Management identified its business models on the basis of how the financial instruments are managed and how their cash flows are used. This is done to ensure an adequate level of financial flexibility and to best manage, in terms of risks and returns, the financial resources immediately available through the treasuries of Group companies and in accordance with the strategies set forth by the Parent TIM.

The business models adopted are:

- *Hold to Collect*: financial instruments used to absorb temporary cash surpluses; such instruments are low risk and mostly held to maturity; they are measured at amortized cost;
- *Hold to Collect and Sell*: monetary or debt instruments used to absorb short/medium-term cash surpluses; such instruments are low risk and generally held to maturity, or otherwise sold to cover specific cash requirements; they are measured at fair value through other consolidated comprehensive income;
- *Hold to Sell*: monetary, debt and equity trading instruments used to dynamically manage cash surpluses not managed under the business models identified above; such instruments are higher risk and traded repeatedly over time; they are measured at fair value through the separate consolidated income statement.

Other investments

Other investments (other than those in subsidiaries, associates and joint ventures) are classified as non-current or current assets if they will be kept in the Group's portfolio for a period of more or not more than 12 months, respectively.

Other investments are classified as “financial assets measured at fair value through consolidated profit or loss” (FVTPL), as current assets.

At the purchase time of each investment, IFRS 9 provides for the irrevocable option to recognize these investments in "financial assets measured at fair value through other consolidated comprehensive income" (FVTOCI) as non-current or current assets.

The other investments classified as “financial assets measured at fair value through other comprehensive income” are measured at fair value; changes in the fair value of these investments are recognized in a special equity reserve under the other components of the statements of comprehensive income (Reserve for financial assets measured at fair value through other comprehensive income), without reclassification to the separate income statements when the financial asset is disposed of or impaired. Dividends are recognized in the separate consolidated income statement.

Changes in the value of other investments classified as "financial assets at fair value through profit or loss" are recognized directly in the separate consolidated income statement.

Securities other than investments

Securities other than investments, included among non-current or current assets, depending on the business model adopted and the contractual flows envisaged, fall among financial assets measured at amortized cost, or measured at fair value through other comprehensive income or at fair value though profit or loss.

Securities other than investments classified as current assets are those that, by decision of the directors, are intended to be kept in the Group's portfolio for a period of not more than 12 months, and are classified:

- as "financial assets measured at amortized cost" (AC) when held to maturity (originally more than 3 months but less than 12 months, or, although they had an original maturity of more than 12 months, they have been bought in a period during which maturity was included between 3 and 12 months);
- as "financial assets measured at fair value through other consolidated comprehensive income" (FVTOCI) when held in the scope of a business model whose objective is to sell the financial asset and/or collect the contractual cash flows. The consolidated "Reserve for financial assets measured at fair value through other comprehensive income" is reversed to the separate consolidated income statement when the financial asset is disposed of or impaired;
- as “financial assets measured at fair value through consolidated profit or loss" (FVTPL) in the other cases.

Cash and cash equivalents

Cash and cash equivalents are recorded, according to their nature, at nominal value or amortized cost.

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value and their original maturity or the remaining maturity at the date of purchase does not exceed 3 months.

Impairment of financial assets

At every closing date, assessments are made as to whether there is any objective evidence that a financial asset or a group of financial assets has been impaired.

The impairment of financial assets is based on the expected credit loss model.

In particular:

- impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions;

- the impairment of financial assets other than trade receivables is calculated on the basis of a general model which estimates expected credit losses over the following 12 months or over the residual life of the asset in the event of a substantial worsening of its credit risk.

Derivatives

As allowed by IFRS 9, the TIM Group decided to continue to apply the hedge accounting provisions contained in IAS 39 instead of those of IFRS 9.

Derivatives are used by the TIM Group to manage its exposure to exchange rate and interest rate risks and to diversify the parameters of debt, so that costs and volatility can be reduced within pre-established operational limits.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when:

- at the inception of the hedge, the hedging relationship is formally designated and documented;
- the hedge is expected to be highly effective;
- its effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at fair value in accordance with IAS 39.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- Fair value hedge – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of an asset or liability due to a particular risk, the profit or loss from re-measuring the hedging instrument at fair value is recognized in the separate consolidated income statement. The profit or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the separate consolidated income statement.
- Cash flow hedge – Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of an asset or liability or a highly probable expected transaction, the effective portion of any gain or loss arising from the fair value adjustment of the derivative financial instrument is recognized directly in a specific equity reserve (Reserve for hedging instruments). The cumulative profit or loss is removed from equity and recognized in the separate consolidated income statement during the same business years in which the hedged transaction is recognized in the separate consolidated income statement. The profit or loss associated with the ineffective portion of a hedge is recognized in the separate consolidated income statement immediately. If the hedged transaction is no longer considered to be probable, the gains or losses not yet realized included in the equity reserve are immediately recognized in the separate consolidated income statement.

For derivatives for which a hedging relationship has not been designated, changes in value compared to initial recognition are recognized directly in the separate consolidated income statement.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on assignments of receivables where the assignment does not transfer substantially all the risks and rewards, as well as other financial liabilities, including derivative financial instruments and liabilities in respect of assets recognized under finance leases recognized in accordance with IFRS 16.

In accordance with IFRS 9, they also include trade and other payables.

Reverse factoring transactions are also classified under trade payables. The TIM Group has reverse factoring agreements in place through which TIM gives its bank partners a mandate to pay its suppliers as invoices become due. Suppliers participating in these programs have the rights to sell (without any cost for the TIM Group) receivables due from the Group. They can exercise this right at their total discretion and incurring all the costs to benefit from collection before the contractual due date.

Financial liabilities other than derivatives are initially recognized at fair value and subsequently measured at amortized cost.

Financial liabilities hedged by derivative instruments designed to manage exposure to changes in fair value of the liabilities (fair value hedge derivatives) are measured at fair value in accordance with the hedge accounting principles of IAS 39. the profits and losses deriving from subsequent fair value adjustments, only as regards the covered component, are recognized in the separate consolidated income statement and counterbalanced by the effective portion of the profit or loss deriving from the corresponding fair value measurements of the hedge instrument.

Financial liabilities hedged by derivative instruments designed to manage exposure to variability in cash flows (cash flow hedge derivatives) are measured at amortized cost in accordance with the hedge accounting principles of IAS 39.

Transfer of receivables

The TIM Group transfers receivables through factoring and securitization agreements. These transfers, in the majority of cases, are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, therefore meeting the requirements of IFRS 9 for derecognition. Special service agreements, under which the purchasers grant TIM S.p.A. a mandate to oversee the collection and management of receivables, have been entered into to maintain the relationship between the Company and its customers.

Inventories

Inventories are measured at the lower of purchase and production cost and estimated realizable value; the cost is determined using the weighted average cost formula for each movement, while the estimated realizable value is determined by observing general prices at the end of the year. Provision is made for obsolete and slow-moving inventories based on their expected future use and estimated realizable value.

Non-current assets held for sale/Discontinued operations

Non-current assets held for sale or discontinued groups whose carrying amount will mainly be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from other assets and liabilities in the consolidated statements of financial position. The corresponding amounts for the previous year are not reclassified in the consolidated statements of financial position, but are instead shown separately in a specific column for changes in assets and liabilities in the year in which non-current assets held for sale or discontinued groups are classified as such.

Discontinued operations are a component of an entity that has been terminated or classified as held for sale and that:

- represents a major business line or geographical area of operation; or
- is part of a single coordinated plan to discontinue a separate major line of business or geographical area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

The results arising from Discontinued Operations – whether discontinued or classified as held for sale – are shown separately in the separate consolidated income statement, net of tax effects. The corresponding values for the previous periods, where present, are reclassified and reported separately in the separate consolidated income statement, net of tax effects, for comparative purposes.

Non-current assets held for sale or discontinued groups classified as held for sale are first recognized in compliance with the appropriate IFRS applicable to each specific asset and liability, and subsequently measured at the lower of the carrying amount and fair value, less cost to sell.

Any subsequent impairment losses are recognized as a direct adjustment to non-current assets (or discontinued groups) classified as held for sale, with a contra-entry in the separate consolidated income statement.

An upward revision of value is, instead, recognized for each subsequent increase in the fair value of an asset less cost to sell, but not in excess of the previously recognized cumulative impairment loss.

As required by IFRS 5 (Non-current assets held for sale and discontinued operations), an entity shall not depreciate (or amortize) non-current assets classified as held for sale or being part of a discontinued group.

Finance expenses and other expenses attributable to the liabilities of a discontinued group classified as held for sale must continue to be recognized.

* * *

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

On November 3, 4 and 5, 2023, the Board of Directors of TIM S.p.A., at the outcome of an extensive and thorough review, conducted with the assistance of leading financial and legal advisors, examined and accepted the binding offer submitted on October 16, 2023 by Kohlberg Kravis Roberts & Co. L.P. ("KKR") for the acquisition of TIM's fixed-line network assets and the equity interests held in FiberCop S.p.A. and Telenergia S.r.l. ("NetCo"), by Optics BidCo S.p.A. (a subsidiary of KKR).

In execution of the resolutions adopted, TIM S.p.A. signed the transaction agreement with Optics BidCo which regulates:

- the contribution by TIM S.p.A. of a business unit - consisting of activities relating to the primary network, wholesale activity and the entire shareholding in the subsidiary Telenergia Srl - in FiberCop S.p.A., a company that already manages the activities relating to the network secondary fiber and copper, and
- the simultaneous purchase by Optics Bidco of the entire shareholding held by TIM S.p.A. in FiberCop S.p.A. itself, following the aforementioned transfer.

The transaction agreement provides that on the closing date, master services agreements will be signed, which will regulate the terms and conditions of the services to be rendered between NetCo and TIM S.p.A. following the completion of the transaction.

The transaction agreement also provides that the consideration for the sale of the equity interest may also be partially paid through the transfer of part of the TIM Group's debt at the closing of the NetCo transaction (so-called liability management). On March 6, 2024, TIM's Board of Directors resolved to grant a mandate to the

Chief Executive Officer to implement the activities necessary to carry out the debt transfer transaction by means of a series of exchange offers, concerning certain series of bonds issued by the TIM Group and maturing in 2026.

The completion of the transaction is expected in the summer of 2024, once the preliminary activities have been completed and a number of conditions precedent have been satisfied (completion of the transfer of the primary network, Antitrust authorization, authorization regarding distortive foreign subsidies); the transaction has already obtained the authorization required by the Golden Power rules, as per the press release issued on January 17, 2024.

When these activities are completed and the conditions precedent are fulfilled, NetCo will be classified as an Asset held for sale in accordance with IFRS 5.

Employee benefits

Provision for employee severance indemnity

Employee severance indemnity, mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is deferred compensation based on the employee's years of service and on the compensation earned by the employee during the service period.

Under IAS 19 (Employee Benefits), the employee severance indemnity, so calculated, is considered a "Defined benefit plan" and the related liability to be recognized in the statement of financial position (Provision for employee severance indemnities) is determined by actuarial calculations.

The remeasurements of actuarial gains and losses are recognized in other components of the Consolidated Statements of Comprehensive income. Service cost of Italian companies that employ less than 50 employees, as well as interest expenses related to the "time value" component of the actuarial calculations (the latter classified as Finance expenses), are recognized in the separate consolidated income statement.

Starting from January 1, 2007, the Italian Law gave employees the choice to either allocate their accruing indemnity to supplementary pension funds or it as an obligation of the Company. Companies that employ at least 50 employees must transfer the employee severance indemnity to the "Treasury fund" managed by INPS, the Italian Social Security Institute. Consequently, the Group's obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19, of "Defined contribution plans".

Equity compensation plans

The companies of the Group provide additional benefits to certain managers of the Group through equity compensation plans (for example stock options and long-term incentive plans). The above plans are recognized in accordance with IFRS 2 (Share-Based Payment).

In accordance with IFRS 2, such plans represent a component of the beneficiaries' compensation. Therefore, for the plans that provide for compensation in equity instruments, the cost is represented by the fair value of such instruments at the grant date, and is recognized in the separate consolidated income statement in "Employee benefits expenses" over the period between the grant date and vesting date with a contra-entry to an equity reserve denominated "Other equity instruments". Changes in the fair value subsequent to the grant date do not affect the initial measurement. At the end of each year, adjustments are made to the estimate of the number of rights that will vest up to maturity. The impact of the change in estimate is recorded as an adjustment to "Other equity instruments" with a contra-entry to "Employee benefits expenses".

The portion of the plans that specifies the payment of compensation in cash is recognized in liabilities as a contra-entry to "Employee benefits expenses"; at the end of each year such liability is measured at fair value.

Provisions

The Group records provisions for risks and charges when, having a current legal or constructive obligation to a third party, as a result of a past event, an outflow of Group resources is likely to be required to meet that obligation, and when the amount of the obligation can be estimated reliably. Provisions for risks and charges also include those established in the event that the company should stipulate contracts that thereafter became onerous, the non-discretionary costs of which necessary to fulfill the commitments made, exceeding the economic benefits expected from such contracts.

If the effect of the time value is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expected cash flows, taking into account the risks associated with the obligation. The increase in the provision due to the passage of time is recognized in the separate consolidated income statement as "Finance expenses".

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and that the Group will satisfy all the conditions established for their granting by the government, government agencies and equivalent local, national or international entities.

Government grants are systematically recognized in the separate income statements over the periods in which the Group recognizes the expenses that the grants are intended to offset as costs.

Government grants related to assets received for the acquisition and/or construction of non-current tangible assets are recorded as deferred income in the statement of financial position and systematically credited to the separate income statements over the useful life of the systems the grants relate to.

Treasury shares

Treasury shares are recognized as a deduction from equity. In particular, the treasury shares are reported as a deduction from the share capital issued in the amount corresponding to the "accounting par value", that is the ratio of total share capital and the number of issued shares, while the excess cost of acquisition over the accounting par value is presented as a deduction from "Other reserves and retained earnings (accumulated losses), including profit (loss) for the year".

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the statement of financial position date. Exchange differences arising from the settlement of monetary items or from their conversion at rates different from those at which they were initially recorded during the year or at the end of the prior year are recognized in the separate consolidated income statement.

Revenues

Revenues are the gross inflows of economic benefits during the period arising in the course of the ordinary activities of an entity. Amounts collected on behalf of third parties, such as sales taxes, goods and services taxes and value added taxes, are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenues.

The process underlying the recognition of revenues follows the steps set out in IFRS 15:

- **identification of the contract**: takes place when the parties approve the contract (with commercial substance), and identify the respective rights and obligations: in other terms, the contract must be legally binding, the rights to receive goods and/or services and the terms of payment can be clearly identified, and the Group considers receipt of payment as probable;
- **identification of the performance obligations**: the main performance obligations identified, i.e. promises to transfer goods and services that are distinct, are services rendered (including voice and data traffic and ICT solutions) to retail customers, services rendered to wholesale customers, and sale of products;
- **determination of the transaction price**: this is the total amount contracted with the other party regarding the entire contractual term; the Group has determined that the contractual term is the one arising from the contractual obligations between the parties or, in lack of these obligations, it is by convention one month;
- **allocation of the transaction price to the performance obligations**: the allocation is made proportionately to the respective stand-alone selling prices calculated based on the list prices (if present) or estimated by applying an appropriate margin to the cost of purchase/production of the good/service.

  Revenues from activating the connectivity service are not a performance obligation; they are therefore allocated to the contractual performance obligations (typically to services).
  For offerings which include the sale of devices and service contracts (bundle offerings), the Group allocates the contractual transaction price to the performance obligations of the contract, proportionately to the stand-alone selling prices of the single performance obligations;
- **recognition of revenues**: revenues are stated net of discounts, allowances, and returns in connection with the characteristics of the type of revenue:
  - **Revenues from services rendered**

    Revenues from services rendered are recognized in the separate income statements according to the stage of completion of the service, that is based on actual consumption.
    Traffic revenues from interconnection and roaming are reported gross of the amounts due to other TLC operators.
    Revenues for delivering information or other content are recognized on the basis of the amount invoiced to the customer, when the service is rendered directly by the Group. In the event that the Group is acting as agent (for example, for non-geographic numbers) only the commission received from the content provider is recognized as revenue.
    Revenues from prepaid traffic are recorded on the basis of effective consumption. Deferred revenues for traffic already collected but not yet consumed are recorded in "Trade and miscellaneous payables and other current liabilities" in the consolidated statements of financial position.
    Revenues for services rendered are generally invoiced and collected bimonthly/monthly for retail customers while for wholesale customers, they are invoiced on a monthly basis and due 40 or 60 days after the date of issue, depending on whether they relate to the mobile component (40 days) or fixed component (60 days).

- **Revenues from sales**

  Revenues from sales (telephone products and others) are recognized upon delivery when control of the assets is transferred to the customers.

  The devices sold separately from the services are invoiced at the time of delivery; collection takes place on demand or based on installment plans (up to 48 monthly installments). The devices sold as part of bundle offerings are invoiced at the time of delivery and usually collected in 24, 30 or 48 monthly installments, depending on the type of offer and customer cluster. With specific reference to the mobile products (smartphones and tables) and certain types of fixed-line products sold to consumer customers, collection is made at the time of sale through the financial company TIMFin, which disburses the loan to the customer.

The recognition of revenues can generate the recognition of an asset or liability deriving from contracts. In particular:

- **Contract assets** are the right to a consideration in exchange for goods or services that have been transferred to the customer, when the right is conditioned on something other than the passage of time;
- **Contract liabilities** are the obligation to transfer goods or services to the customer for which the Group has received (or for which it is due) a consideration from the customer.

Contract costs (incremental costs of obtaining a contract and costs to fulfill a contract; mainly technical activation costs and costs for sales network commissions) are deferred and recognized through separate consolidated income statement depending on the expected term of the contractual relationship with the customers. The TIM Group avails of the practical expedient, permitted under IFRS 15, of recognizing the incremental costs of obtaining a contract in the consolidated income statement if the amortization period is one year or less.

The recoverability of contract assets and deferred costs is periodically assessed.

Research and advertising costs

Research and advertising costs are directly expensed to the separate consolidated income statement in the year in which they are incurred.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include: interest accrued on the related financial assets and liabilities using the effective interest rate method; changes in the fair value of derivatives and other financial instruments measured at fair value through the income statement; gains and losses on foreign exchange and financial instruments (including derivatives).

Dividends

Dividends received from companies other than subsidiaries, associates and joint ventures are recognized in the separate consolidated income statement on an accrual basis, i.e. in the year in which they become receivable following the resolution by the shareholders' meeting for the distribution of dividends of the investee companies.

Dividends payable to third parties are reported as a change in equity in the year in which they are approved by the shareholders' meeting.

Income tax expense (current and deferred)

Income tax expense includes all taxes calculated on the basis of the taxable income of the companies of the Group.

Current and deferred income tax expense is calculated using all the elements and information available at the reporting date, taking into account current laws and considering all the elements that could give rise to uncertainties in the determination of the amounts due to the tax authorities, as provided for in IFRIC 23.

Income tax expense is recognized in the separate consolidated income statement, except to the extent that they relate to items directly charged or credited to equity, in which case the related tax effect is recognized in the relevant equity reserves. The amount of the income tax expense relating to each item included as "Other components of the Consolidated Statements of Comprehensive income" is indicated in the Consolidated Statement of comprehensive income.

The provisions for taxes that could arise from the remittance of the undistributed earnings of subsidiaries are made only where there is the actual intention to remit such earnings.

Deferred tax liabilities/assets are recognized using the "Balance sheet liability method". They are calculated on all the temporary differences that arise between the taxable base of assets and liabilities and the related carrying amounts in the consolidated financial statements, except for differences arising from investments in subsidiaries that are not expected to reverse in the foreseeable future. Deferred tax assets relating to unused tax loss carryforwards are recognized to the extent that it is probable that future taxable income will be available against which they can be utilized. Tax assets and liabilities are offset, separately for current and deferred taxes, when income tax expense is levied by the same tax authority and when there is a legally enforceable offsetting right. Tax assets and deferred tax liabilities are determined by adopting the tax rates expected to be applicable in the respective jurisdictions of the countries in which the Group companies operate, in the years in which those temporary differences are expected to be recovered or settled.

The other taxes not related to income are included in "Other operating expenses".

Earnings per share

Basic earnings per ordinary share is calculated by dividing the Group's profit attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year, and excluding treasury shares. Similarly, basic earnings per savings share is calculated by dividing the Group's profit attributable to savings shares by the weighted average number of savings shares outstanding during the year.

For diluted earnings per ordinary share, the weighted average number of shares outstanding during the year is adjusted by assuming the subscription of all the potential deriving shares - for example, by exercising rights on shares with dilutive effects. The Group profit is also adjusted to reflect the impact of these transactions net of the related tax effects.

Use of accounting estimates

The preparation of consolidated financial statements and related notes in conformity with IFRS requires management to make estimates and assumptions based also on subjective judgments, past experience and assumptions considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as on the amount of revenues and costs during the year. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.

The most significant accounting estimates that involve a high level of subjective assumptions and judgments by directors are set out below.

Financial statements area	**Accounting estimates**
Goodwill impairment	The impairment test on goodwill is carried out by comparing the carrying amount of cash-generating units and their recoverable amount. The recoverable amount of a cash-generating unit is the higher of fair value, less costs to sell, and its value in use. This complex valuation process entails the use of methods such as the discounted cash flow method, which uses assumptions to estimate cash flows. The fair value net of disposal costs is based on the current value of forecast cash flow, calculated using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected future cash flows and the growth rate used for the extrapolation. The estimate of expected cash flows took into account the risks arising from climate change (as explained in the section 'Main Risks and Uncertainties - Risks Related to Key Sustainability Issues' in the Report on Operations), which at present do not have a significant impact on the Group's business model. The key assumptions used to determine the recoverable amount for the different cash-generating units, including a sensitivity analysis, are detailed in the Note "Goodwill".
Impairment of tangible and intangible assets with finite useful lives and rights of use assets	At the end of each reporting period, the Group assesses whether there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired. Both internal and external sources of information are used for this purpose. Identifying the impairment indicators, estimating future cash flows and calculating the fair value of each asset requires the Management to make significant estimates and assumptions in calculating the discount rate to be used, and the useful life and residual value of the assets. The estimate of expected cash flows took into account the risks arising from climate change (as explained in the section 'Main Risks and Uncertainties - Risks Related to Key Sustainability Issues' in the Report on Operations), which at present do not have a significant impact on the Group's business model. These estimates can have a significant impact on the fair value of the assets and on the amount of any impairment write-down.
Business combinations	The recognition of business combinations requires that assets and liabilities of the acquiree be recorded at their fair value at the control acquisition date, as well as the possible recognition of goodwill. These values are determined through a complex estimation process.
Lease liabilities and rights of use assets	The value of lease liabilities and corresponding rights of use is determined by calculating the present value of the lease payments, also bearing in mind whether the renewal of the lease is reasonably certain.
Capitalization/deferment of costs	The capitalization/deferment of internal and external costs is a process that entails elements of estimation and valuation. Specifically, it involves the valuation of: i) the likelihood that capitalized costs will be recovered through correlated future revenues; and ii) the effective increase in the future economic benefits embodied in the related asset.
Provision for bad debts	Impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions.

Depreciation and amortization	Changes in the economic conditions of the markets, technology and competitive forces could significantly affect the estimated useful lives of tangible and intangible non-current assets and may lead to a difference in the timing, and thus on the amount of depreciation and amortization expense.
Provisions, contingent liabilities and employee benefits	As regards the provisions for restoration costs, the estimate of future costs to dismantle tangible assets and restore the site is a complex process that requires the valuation of the liabilities arising from such dismantling and restoration obligations, which seldom are entirely defined by laws, administrative regulations or contract clauses, and which normally are to be complied with after an interval of several years. The provisions related to legal, arbitration and fiscal disputes, as well as regulatory proceedings, are the result of a complex estimation process based upon the probability of an unfavorable outcome. Provisions for employee benefits, especially the provision for employee severance indemnities, are calculated using actuarial assumptions; changes in such assumptions could have a material impact on such liabilities. Provisions made for contractual risks are also related to any contracts that may have become onerous and are based on an articulated estimation process that envisages the valuation of the comprehensive negative margins of the entire contract; they therefore include the non-discretionary costs necessary to fulfill the commitments made that exceed the economic benefits expected from such contracts.
Revenues	The recognition of revenues is influenced by estimates of the amount of discounts, rebates and returns to be reported as a direct adjustment to revenues, as well as the methods for defining individual product or service stand-alone selling prices and for determining the duration of the contract when there are renewal options.
Contract costs (IFRS 15)	The recognition of the costs of obtaining and fulfilling contracts is influenced by the estimated expected duration of the relationship with the customer, calculated on the basis of the historical turnover indexes and future estimates. However, this estimate is subject to fluctuations and could only represent customers' future behavior in a limited way, especially if there are new commercial offers or changes in the competitive environment.
Income tax expense (current and deferred)	Income tax expense (current and deferred) are calculated in each country in which the Group operates according to a prudent interpretation of the applicable tax laws. This process sometimes involves complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized to the extent that future taxable income will be available against which they can be recovered. The measurement of the recoverability of deferred tax assets, recognized based on both unused tax loss carry-forwards to future years and deductible temporary differences, takes into account the estimate of future taxable income and is based on conservative tax planning.
Derivative instruments and equity instruments	The fair value of derivative instruments and equity instruments is determined both using valuation models which also take into account subjective measurements such as, for example, cash flow estimates, expected volatility of prices, etc., and on the basis of prices existing in regulated markets or quotations provided by financial counterparties. For further details refer to the Note "Supplementary disclosures on financial instruments".

As per IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) paragraph 10, in the absence of a standard or interpretation that specifically applies to a transaction, the Management shall use its judgment in developing and applying an accounting policy that results in consolidated financial statements that represent faithfully the financial position, financial performance and cash flows of the Group, reflect the economic substance of transactions, and are neutral, prudential and complete in all material aspects.

New standards and interpretations endorsed by the EU and in force from January 1, 2023

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

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

On September 8, 2022, Regulation (EU) 2022/1491 was issued, incorporating certain amendments relating to the presentation of comparative information about financial assets upon initial application of IFRS 17 *Insurance Contracts*.

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

IFRS 17, which implements the amendment, came into force for financial years beginning on or after January 1, 2023.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2023.

Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

On March 2, 2022, Regulation (EU) 2022/357 was issued, incorporating certain amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, in which it introduces a new definition of "accounting estimates".

In the amended standard, accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty”.

The amendments clarify what constitutes changes in accounting estimates and how these differ from changes in accounting policies and corrections of errors.

The changes came into effect for financial years starting on or after January 1, 2023.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2023.

Amendments to IAS 12 *Income Taxes*: Deferred tax related to assets and liabilities arising from a single transaction

On August 11, 2022, Regulation (EU) 2022/1392 was issued, incorporating certain amendments to IAS 12 *Income Taxes*.

The amendments clarify how companies are to account for deferred taxes on leases and decommissioning/restoration costs.

IAS 12 specifies how companies are to account for income taxes, including deferred taxes, which are the amounts of taxes payable or recoverable in the future.

These amendments require entities to recognise deferred taxes on certain transactions (such as leases and decommissioning and restoration charges) that give rise to taxable and deductible temporary differences of the same amount at the time of initial recognition.

IAS 12 provides that, under certain circumstances, companies are exempt from reporting deferred taxes when they recognise assets or liabilities for the first time.

The IASB has issued these limited amendments on account of the uncertainty arising through the fact that the exemption applies to leases and decommissioning/restoration obligations.

These amendments mean that the exemption granted in the principle will not now apply to leases and decommissioning/restoration obligations, with companies now required to recognise deferred tax assets and liabilities in these areas.

The changes came into effect on January 1, 2023.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2023.

Amendments to IAS 1 - Presentation of Financial Statements

On March 2, 2022, Regulation (EU) 2022/357 was issued, incorporating certain amendments to IAS 1 *Presentation of Financial Statements* in which guidelines and examples are provided to help entities carry out materiality assessments for the purposes of disclosing accounting policies.

The IASB has also issued amendments to "IFRS Practice Statement 2 - Making Materiality Judgements (the PS)" to support the amendments to IAS 1, which explain and demonstrate how the "4 step materiality process" applies to disclosures of accounting policies.

In particular, the amendments aim to help entities provide more useful disclosures of accounting policies by:

- replacing the requirement for entities to disclose their "significant" accounting policies with the provision to disclose their "material" accounting policies; and
- adding guidance on how entities should apply the concept of "materiality" when deciding how to disclose their accounting policies.

The changes came into effect for financial years starting on or after January 1, 2023.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2023.

Amendments to IAS 12 Income taxes: International Tax Reform - 'Pillar Two Model' Rules

On November 8, 2023, Regulation (EU) 2023/2468 was issued, incorporating certain amendments to IAS 12 *Income Taxes*: International Tax Reform - 'Pillar Two Model' rules. The amendments introduce:

- a temporary exception from the obligation to account for deferred taxes arising from the implementation of the pillar two model rules; and
- targeted disclosure requirements for affected entities to help users of financial statements understand an entity's exposure to Pillar Two income taxes arising from that legislation.

The amendments clarify that IAS 12 applies to income taxes arising from tax legislation implementing the OECD’s Pillar Two model rules, which address the tax issues arising from the digitalization of the global economy (Base Erosion and Profit Shifting - BEPS). These rules apply to multinational enterprises (MNEs) with consolidated annual revenues of more than 750 million euros). The tax legislation in question and the income taxes resulting from it are referred to as “Pillar Two legislation” and “Pillar Two income taxes” respectively. The amendments introduce a mandatory exception to IAS 12 when it comes to recognising and disclosing deferred Pillar Two income tax assets and liabilities.

This temporary exception exempts entities from accounting for deferred tax under the new and complex Pillar Two tax legislation, giving affected parties time to assess the implications.

The temporary exception to recognising and disclosing deferred taxes and the obligation to disclose that this exception is being used applies immediately and retroactively with respect to the issue date of the amendments.

The disclosure of the current Pillar Two income tax liability and disclosures relating to periods before the entry into force of the legislation is required for tax years that began on or after January 1, 2023, but is not required for interim periods ending on or before December 31, 2023.

The TIM Group has applied the exception to the recognition and disclosure of deferred tax assets and liabilities, therefore, the adoption of these changes had no impact on the consolidated financial statements as at December 31, 2023.

New Standards and Interpretations issued by IASB but not yet applicable

At the date of preparation of these consolidated financial statements, the IASB had issued the following new Standards and Interpretations which have not yet come into force:

	Mandatory application starting from
New Standards and Interpretations not yet endorsed by the EU	
Amendments to IAS 7: Statements of Cash Flows and IFRS 7 Financial instruments: Supplementary disclosures	1/1/2024
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*	1/1/2025
New Standards and Interpretations endorsed by the EU	
Amendments to IAS 1 *Presentation of Financial Statements*: non-current liabilities with covenants	1/1/2024
Amendments to IAS 1 *Presentation of Financial Statements*: classification of liabilities as current or non-current	1/1/2024
Amendments to IFRS 16: Lease liabilities in a sale and lease-back	1/1/2024

Any impacts on the Group's consolidated financial statements resulting from the application of these new Standards/Interpretations are currently being assessed; However, it is considered that they are not significant with respect to financial and economic results.

NOTE 3
SCOPE OF CONSOLIDATION

Investments in consolidated subsidiaries

Composition of the Group

TIM holds a majority of the voting rights in all the subsidiaries included in the scope of consolidation.
A complete list of consolidated subsidiaries is provided in Note 46 "List of companies of the TIM Group".

Scope of consolidation

The changes in the scope of consolidation at December 31, 2023 compared to December 31, 2022 are listed below.

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

Company		Business Unit	Month
Entry:			
TS-WAY S.r.l.	New acquisition	Domestic	April 2023
Exit:			
NOOVLE SLOVAKIA S.R.O.	Liquidated	Domestic	March 2023
TIM SERVIZI DIGITALI S.p.A.	Sold	Domestic	August 2023
TIESSE S.c.p.A.	Liquidated	Domestic	October 2023
TIAUDIT COMPLIANCE LATAM S.A.	Liquidated	Other Operations	October 2023
Mergers:			
COZANI RJ INFRAESTRUTURA E REDE DE TELECOMUNICAÇÕES S.A.	Merged into TIM S.A.	Brazil	April 2023

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

	12.31.2023		
Companies:	**Italy**	**Outside Italy**	**Total**
subsidiaries consolidated line-by-line	19	43	62
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	11	1	12
Total companies	**32**	**44**	**76**

	12.31.2022		
Companies:	**Italy**	**Outside Italy**	**Total**
subsidiaries consolidated line-by-line	20	46	66
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	12	1	13
Total companies	**34**	**47**	**81**

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

Subsidiaries with a significant non-controlling interest

At December 31, 2023, the TIM Group held investments in subsidiaries, with significant non-controlling interest, in relation to the companies FiberCop S.p.A. and the TIM Brasil group.

The figures provided below, stated before the netting and elimination of intragroup accounts, comply with IFRS and reflect adjustments made at the acquisition date to align the assets and liabilities acquired to their fair value.

FiberCop S.p.A. - Domestic Business Unit

Non-controlling interest accounted at December 31, 2022 for 42.0% of the capital of FiberCop S.p.A., coinciding with the corresponding voting rights.

FiberCop S.p.A. - financial position data

(million euros)	12.31.2023	12.31.2022
Non-current assets	9,991	9,187
Current assets	707	515
Total Assets	**10,698**	**9,702**
Non-current liabilities	3,942	3,376
Current liabilities	966	800
Total Liabilities	**4,908**	**4,176**
Equity	**5,790**	**5,526**
of which Non-Controlling Interests	*2,432*	*2,321*

FiberCop S.p.A. - income data

(million euros)	2023	2022
Revenues	1,451	1,344
Profit (loss) for the year	**409**	**458**
of which Non-Controlling Interests	*172*	*192*

FiberCop S.p.A. - financial data

Aggregate cash flows generated in 2023 was positive for 92 million euros (in 2022: -37 million euros).

TIM Brasil group – Brazil Business Unit

Non-controlling interest accounted at December 31, 2023 for 33.4% of the capital of TIM S.A., coinciding with the corresponding voting rights.

Financial position data TIM Brasil group

(million euros)	12.31.2023	12.31.2022
Non-current assets	8,596	8,649
Current assets	2,238	1,925
Total Assets	**10,834**	**10,574**
Non-current liabilities	3,832	3,157
Current liabilities	2,565	2,420
Total Liabilities	**6,397**	**5,577**
Equity	**4,437**	**4,997**
of which Non-Controlling Interests	*1,646*	*1,545*

Income statement data TIM Brasil group

(million euros)	2023	2022
Revenues	4,412	3,963
Profit (loss) for the year	**448**	**289**
of which Non-Controlling Interests	*175*	*102*

Financial data of the TIM Brasil group

Aggregate cash flows generated in 2023 amounted to +167 million euros, with a positive exchange rate effect of 20 million euros.

In 2022, this was negative for 369 million euros, with a negative exchange rate difference of 45 million euros.

Finally, with regard to the subsidiaries with significant minority interests, in line with the information provided in the Report on Operations - "Main risks and uncertainties" section, the main risk factors that could lead, even significantly, to restrictions on the operations of the TIM Brasil group are listed below:

- Strategic risks (risks related to macroeconomic and political factors, as well as risks associated with foreign exchange restrictions and competition);
- Operational risks (risks related to business continuity and development of the fixed and mobile networks, as well as risks related to disputes and litigation);
- Financial risks;
- Regulatory and Compliance risks.

NOTE 4
BUSINESS COMBINATIONS

Acquisition of control of TS-Way S.r.l.

On April 20, 2023, Telsy S.p.A. (TIM Group's Italian subsidiary engaged in cybersecurity) acquired 100% of the share capital of TS-Way S.r.l., an Italian company specialising in cyber threat intelligence.

The business combination was recognized in the accounts as follows:

- a consideration of 29 million euros;
- all Assets acquired and Liabilities undertaken of the acquired company were measured for recognition at fair value;
- in addition to the value of the Assets acquired and Liabilities undertaken, Goodwill equal to 19 million euros was recognized, determined as follows:

(million euros)		Values at fair value
Valuation of the consideration	**(a)**	**29**
Value of assets acquired	**(b)**	15
Value of liabilities assumed	**(c)**	(5)
Goodwill	**(a–b-c)**	**19**

TS-Way S.r.l. – values at acquisition date

(million euros)		Present values at fair value	Carrying amounts
Goodwill		19	—
Other non-current assets		11	—
Current assets		4	4
of which Cash and cash equivalents		*1*	*1*
Total assets	**(a)**	**34**	**4**
Total non-current liabilities		3	—
of which Non-current financial liabilities		—	—
Total current liabilities		2	2
of which Current financial liabilities		—	—
Total liabilities	**(b)**	**5**	**2**
Net assets	**(a-b)**	**29**	**2**

It should also be noted that, if the acquisition of TS-Way S.r.l. had been completed by January 1, 2023, TIM Group's consolidated financial statements for the year ending December 31, 2023 would not have material impacted revenues or the net income for the year attributable to owners of the Parent.

NOTE 5
GOODWILL

Goodwill shows the following breakdown and changes for 2022 and 2023:

(million euros)	12.31.2021	Increase	Decrease	Impairments	Exchange differences	12.31.2022
Domestic	18,124	10				18,134
Brazil	444	502			31	977
Other Operations	—					—
Total	18,568	512	—	—	31	19,111

(million euros)	12.31.2022	Increase	Decrease	Impairments	Exchange differences	12.31.2023
Domestic	18,134	19				18,153
Brazil	977				40	1,017
Other Operations	—					—
Total	19,111	19	—	—	40	19,170

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.

In 2023, Goodwill increased by 59 million euros, from 19,111 million euros at the end of 2022 to 19,170 million euros at December 31, 2022.

In particular:

- the goodwill of the Domestic Cash Generating Unit increased by 19 million euros, almost entirely attributable to the acquisition of control of TS-Way S.r.l.. For further details, please refer to Note 4 "Business combinations";
- the goodwill of the Brazil Cash Generating Unit recorded positive exchange differences of 40 million euros (the point exchange rate used for the conversion of the Brazilian real into euro (expressed in terms of units of local currency per €1) increased from 5.56520 at December 31, 2022 to 5.34964 at December 31, 2023).

The gross carrying amounts of Goodwill and the related accumulated impairment losses from January 1, 2004 (date of allocation to the Cash-Generating Units – CGUs) to December 31, 2023 and 2022 can be summarized as follows:

	12.31.2023			12.31.2022		
(million euros)	Gross carrying amount	Accumulated impairment losses	Net carrying amount	Gross carrying amount	Accumulated impairment losses	Net carrying amount
Domestic	38,718	(20,565)	18,153	38,699	(20,565)	18,134
Brazil	1,189	(172)	1,017	1,143	(166)	977
Other Operations	—	—	—	—	—	—
Total	39,907	(20,737)	19,170	39,842	(20,731)	19,111

The figures for the Brazil CGU are stated in euros, converted at the spot exchange rate at the closing date of the financial statements; the net carrying amount of goodwill for the CGU corresponds to 5,439 million reais at December 31, 2023 (5,439 million reais at December 31, 2022).

The impairment test was carried out on two levels. At a first level, the recoverable amount of the assets attributed to the individual CGUs to which goodwill is allocated was estimated; at a second level, considering the Group's activities as a whole.

The cash generating units (or groups of units) to which goodwill is allocated are as follows:

Segment	Cash-Generating Units (or groups of units)
Domestic	Domestic
Brazil	Brazil

According to the applicable accounting rules, the "recoverable value" of the CGUs was equal to the higher of "fair value net of disposal costs" and "value in use".

The Domestic CGU operated in 2023 as a single unit, in 2024 the so-called 'NetCo perimeter' (Primary Network - TIM business unit, Secondary Network - Fibercop company perimeter, Telenergia) is expected to be separated, for which the TIM Board of Directors has accepted a binding price proposal (representing the fair value of the perimeter to be sold). The timing of the closing is subject to the necessary authorisation paths (Golden Power authorisation (received in January 2024) and Antitrust authorisation (in progress)) and the implementation and completion of Process and Systems Separation activities.

Therefore, the value configuration used to determine the recoverable value as at December 31, 2023 of the Domestic CGU is the Fair Value estimated on the basis of a valuation obtained by the sum of parts between the NetCo subCGU and the subCGU of the remaining perimeter of the Domestic CGU (the so-called ServiceCo perimeter).
As an estimate of NetCo's recoverable value, the present value (as of December 31, 2023) of the price implicit in the binding offer (price proposal referring to the date of June 30, 2024) by an independent party (KKR) was assumed, and any form of earn-out was excluded from the price.
Instead, the fair value based on the income approach was taken as the estimate of ServiceCo's recoverable value, as it was deemed to better express the value of the Group's assets (so-called market participant perspective), also reflecting the cost interventions in view of a possible future new and different business structure.
For the Brazil CGU, the value configuration used is the fair value on the basis of market capitalization at the end of the period.

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

For the ServiceCo subCGU, the estimate of fair value on the basis of the income approach was made in compliance with IAS 36, with valuation principles and best practices, with reference to the flows of the 2024-2026 Industrial Plan, which is based on the final results of 2023: (i) it reflects realistic expectations regarding future evolutions; (ii) it brings into play careful cost cutting actions as preparation for the future business structure; (iii) it maintains the perspective of use of assets of the domestic market continuing on with the same conditions as at December 31, 2023. The expected cash flows reported in the 2024-2026 Industrial Plan approved by the Board of Directors have been critically analysed and, with the support of expert appraisers and industry experts, the average representativeness has been assessed. Expected average cash flows for the 2024-2026 Industrial Plan were extrapolated for an additional two years (2027-2028), thus bringing the explicit forecast period for future cash flows to a total of five years (2024-2028). The extrapolation of data for 2027-2028 was necessary, in line with that carried out by the main European incumbents, in order to intercept market, competition and industrial trends that will become manifest beyond the forecast horizon of the Industrial Plan. It is specified that where inputs are present that cannot be observed, the fair value thus determined is assigned as level 3 of the fair value hierarchy, as envisaged by IFRS 13 - Fair value measurement.

The estimation of the fair value according to the income approach requires the determination of the current value of income beyond the explicit forecast period (“terminal value”). To this end, the sustainable long-term cash flow was assumed to be the extrapolation of the estimated cash flow at 2028, adjusted as necessary to take into consideration a suitable level of long-term capital expenditure, normalized by the effects tied to the development of innovative technology projects in place during the plan years. Furthermore, with specific reference to the incremental share of the value deriving from 5G license use and therefore from the development of new and innovative business areas, a measurement model has been adopted that takes into account the net incremental flows for a defined period of time which is based on the duration of the license. This approach is consistent with the need to include in the configuration of value, on one hand the outflows deriving from the capex to support its development (as per the Industrial Plan), and on the other the positive net flows from the incremental business component of the license acquisition that will develop over a broad period of time and over the five years of explicit forecast.

The cost of capital used to discount projected cash flows in fair value estimates for the ServiceCo subCGU:

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

These are reported below for the Domestic subCGU:

- the weighted average cost of capital (WACC rate) used to discount the future cash flows and the equivalent rate before tax;
- details are also provided of the growth rate used to estimate the residual value after the explicit forecast period (the G-Rate), expressed in nominal terms and related to the cash flows in their functional currency;
- details are provided of the implicit capitalization rates resulting from the difference between the cost of capital, after tax, and the G-Rate.

Principal parameters for the estimates of fair value

	Domestic (ServiceCo)
WACC	6.84 %
WACC before tax	8.90 %
Growth rate beyond the explicit period (g)	0.83 %
Capitalization rate after tax (WACC-g)	6.01 %
Capitalization rate before tax (WACC-g)	8.07 %
Capex/Revenues, perpetual	11.90 %

The growth rate in the terminal value "g" of the ServiceCo subCGU was estimated taking into account the expected evolution of demand for the various business areas, overseen in terms of investments and competences also by the subsidiary Noovle. The growth rate thus estimated falls within the range of growth rates applied by analysts who monitor TIM shares.

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

The recoverable amount of the Domestic cash generating unit, determined on the basis of the Fair Value estimated on the basis of the sum of the parts, showed headroom of 2,107 million euros.

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

(million euros)	**Domestic**	**Brazil**
Difference between recoverable and net carrying amounts	+2,107	+3,484

Therefore, in light of all the foregoing, in FY 2023, the Goodwill values recognized in the financial statements relating to the Domestic CGU (positive difference of +2,107 million euros) and the Brazil CGU (positive difference of +3,484 million euros) are confirmed.

In detail, in accordance with IAS 36, the sensitivity analysis has been performed aiming to identify the change in key variables (WACC, margins as seen by the ratio of gross operating margin and revenues, growth rate of income in terminal value), which makes the recoverable amount of the Domestic CGU equal to the carrying amount. This analysis is relevant for the subCGU ServiceCo, given the valuation of the Domestic CGU by sum of parts obtained on the basis of the value of the subCGU ServiceCo through an income approach and the valuation of NetCo implied in the value of the binding offer by KKR. The analysis shows that:

- an increase in costs such as to lower the margins of ServiceCo (= gross operating margin/revenues) of 1.64%;
- or a 0.72% rise in the WACC (at the value of 7.56%); or
- a growth rate of income in terminal value of -0.16%;
- would align the recoverable amount with the carrying amount.

With regard to the Brazilian CGU, the change in the price per share, compared to the reference quotation considered for the purposes of the financial statements, which would make the recoverable value equal to the carrying amount is equal to -43.04%.

The second level impairment test revealed a recoverable amount that exceeded the book value of the Group's business as a whole, thereby not showing any need for impairment.

NOTE 6

INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The item decreased by 534 million euros compared to December 31, 2022. The breakdown and movements are as follows:

(million euros)	12.31.2021	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Capitalized borrowing costs	Other changes	12.31.2022
Industrial patents and intellectual property rights	**1,933**	731	(1,069)		(1)	53		338	**1,985**
Concessions, licenses, trademarks and similar rights	**3,376**	85	(442)		(1)	70		1,555	**4,643**
Other intangible assets	**3**	2	(6)			(2)		48	**45**
Work in progress and advance payments	**1,835**	310				54	48	(1,264)	**983**
Total	**7,147**	**1,128**	**(1,517)**	**—**	**(2)**	**175**	**48**	**677**	**7,656**

(million euros)	12.31.2022	Investments	Depreciation and amortization	Impairment (losses)/ Reversals	Disposals	Exchange differences	Capitalized borrowing costs	Other changes	12.31.2023
Industrial patents and intellectual property rights	**1,985**	659	(1,045)		(1)	18		294	**1,910**
Concessions, licenses, trademarks and similar rights	**4,643**	8	(485)			57		539	**4,762**
Other intangible assets	**45**	3	(10)			2		11	**51**
Work in progress and advance payments	**983**	242			(1)	16	18	(859)	**399**
Total	**7,656**	**912**	**(1,540)**	**—**	**(2)**	**93**	**18**	**(15)**	**7,122**

Investments in 2023 amounted to 912 million euros (1,128 million euros in 2022) and included 230 million euros in internally generated assets (244 million euros in 2022); further details are provided in Note 31 “Internally generated assets”.

Industrial patents and intellectual property rights at December 31, 2023, essentially consist of the plant operation and application software purchased outright and user license, amortized over a period between 2 and 6 years and relating mainly to TIM S.p.A. (1,254 million euros), the Brazil Business Unit (445 million euros) and Noovle S.p.A. (117 million euros).

Concessions, licenses, trademarks and similar rights at December 31, 2023 mainly refer to the residual cost of telephone licenses and similar rights (3,004 million euros for TIM S.p.A. and 1,705 million euros for the Brazil Business Unit). During the 2023 financial year, in particular, the rights of use of the 3.5 GHz (5G) frequencies of the Brazil Business Unit were transferred to exercise and the rights of use of the 28 GHz band of the Parent Company TIM S.p.A. were extended until December 31, 2029.

The residual amount of telephone licenses and similar rights in operation at December 31, 2023 (4,709 million euros) and their useful lives are detailed below:

Type	Residual value at 12.31.2023 (million euros)	Useful life (years)	Maturity	Amortization expense for the year 2023 (million euros)
TIM S.p.A.:				
UMTS 2100 MHz (extension)	180	8	12.31.2029	30
WiMax (extension)	4	7	12.31.2029	1
34-36-MHz OpNet (former Linkem) band	53	7	12.31.2029	9
LTE 1800 MHz	51	18	12.31.2029	9
LTE 800 MHz	360	17	12.31.2029	60
LTE 2600 MHz	40	17	12.31.2029	7
L Band (1452-1492 MHz)	99	14	12.31.2029	16
900 and 1800 MHz band	329	11	12.31.2029	55
3600-3800 MHz band (5G)	1,242	19	12.31.2037	89
26.5-27.5 GHz band (5G)	24	19	12.31.2037	2
694-790 MHz band (5G)	614	15 years and 6 months	12.31.2037	44
28 GHz band (Extension)	8	7	12.31.2029	1
TIM Brasil group:				
800 MHz, 900 MHz and 1800 MHz band	345	From 2 to 20	From 2025 to 2039	31
1900 MHz and 2100 MHz band	101	From 2 to 20	From 2025 to 2039	9
700 MHz, 2500 MHz and 2.5 GHz band (4G)	550	From 2 to 20	From 2024 to 2039	82
2.3 GHz, 3.5 GHz, and 26 GHz band (5G)	709	From 10 to 20	From 2030 to 2041	33

Work in progress and advance payments mainly relate to the Parent Company TIM S.p.A. (318 million euros) and the Brazil Business Unit (38 million euros) and refer mainly to software developments. The reduction in 2023 is mainly related to operating revenues, including the rights of use of the 3.5 GHz (5G) frequencies of the Brazil Business Unit (530 million euros). For the latter, since the period of time required for the assets to be ready for use was more than 12 months, the related financial charges of 18 million euros were capitalised during 2023. Capitalised financial charges were directly reduced to the income statement item "Financial charges".

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2023 and December 31, 2022 can be summarized as follows:

	12.31.2022			
(million euros)	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Industrial patents and intellectual property rights	12,847	—	(10,862)	1,985
Concessions, licenses, trademarks and similar rights	7,784	—	(3,141)	4,643
Other intangible assets	563	—	(518)	45
Work in progress and advance payments	983	—	—	983
Total intangible assets with a finite useful life	**22,177**	**—**	**(14,521)**	**7,656**

	12.31.2023			
(million euros)	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Industrial patents and intellectual property rights	13,932	—	(12,022)	1,910
Concessions, licenses, trademarks and similar rights	8,454	—	(3,692)	4,762
Other intangible assets	596	—	(545)	51
Work in progress and advance payments	399	—	—	399
Total intangible assets with a finite useful life	**23,381**	**—**	**(16,259)**	**7,122**

With reference to gross values, in 2023 the Parent Company TIM S.p.A. made disposals of 29 million euros relating to intellectual property rights that were almost fully depreciated, including systems and software developments relating to the TIMMusic platform, which ceased in June 2023 (19 million euros) and abandoned or expired patents (8 million euros).

NOTE 7
TANGIBLE ASSETS

Property, plant and equipment owned

This item increased by 592 million euros compared to December 31, 2022. The breakdown and movements are as follows:

(million euros)	12.31.2021	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12.31.2022
Land	**232**				(1)	1		**232**
Buildings (civil and industrial)	**597**	34	(37)			1	56	**651**
Plant and equipment	**11,254**	2,198	(2,145)		(28)	202	521	**12,002**
Manufacturing and distribution equipment	**19**	7	(8)				2	**20**
Other	**367**	105	(158)		(1)	13	36	**362**
Construction in progress and advance payments	**842**	484			(3)	11	(501)	**833**
Total	**13,311**	**2,828**	**(2,348)**	**—**	**(33)**	**228**	**114**	**14,100**

(million euros)	12.31.2022	Investments	Depreciation and amortization	Impairment (losses)/ Reversals	Disposals	Exchange differences	Other changes	12.31.2023
Land	**232**				(4)		1	**229**
Buildings (civil and industrial)	**651**	19	(37)		(4)		24	**653**
Plant and equipment	**12,002**	2,081	(2,162)		(25)	76	438	**12,410**
Manufacturing and distribution equipment	**20**	8	(7)				(1)	**20**
Other	**362**	100	(155)		(1)	5	18	**329**
Construction in progress and advance payments	**833**	733			(1)	3	(517)	**1,051**
Total	**14,100**	**2,941**	**(2,361)**	**—**	**(35)**	**84**	**(37)**	**14,692**

Land comprises both built-up land and available land and is not subject to depreciation. The balance at December 31, 2023 mainly refers to TIM S.p.A. (184 million euros) and to Noovle S.p.A. (33 million euros).

Buildings (civil and industrial) mainly includes buildings for industrial use hosting telephone exchanges, or for office use and light constructions. The balance at December 31, 2023 mainly refers to TIM S.p.A. (407 million euros) and to Noovle S.p.A. (216 million euros).

Plant and machinery includes the technological infrastructure used for the provision of telecommunications services (transport and distribution of voice/data traffic). The balance at December 31, 2023 is mainly attributable to TIM S.p.A. (5,276 million euros), to FiberCop S.p.A. (4,595 million euros), the Brazil Business Unit (2,114 million euros), the Telecom Italia Sparkle Group (259 million euros) and Noovle S.p.A. (162 million euros).

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

Other mainly consists of hardware for the functioning of the network and for work stations, furniture and fixtures and, to a minimal extent, transport vehicles and office machines.

Construction in progress and advance payments refer to the internal and external costs incurred for the acquisition and internal production of tangible assets, which are not yet in use.

Investments in 2023 include 308 million euros of internally generated assets (315 million euros in 2022); further details are provided in Note 31 “Internally generated assets”.

Depreciation, impairment losses and reversals have been recorded in the income statement as components of EBIT.

Depreciation for the years 2023 and 2022 was calculated on a straight-line basis over the estimated useful lives of the assets according to the following minimum and maximum rates:

Buildings (civil and industrial)	2% - 20%
Plant and equipment	3% - 50%
Manufacturing and distribution equipment	15% - 20%
Other	10% - 50%

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2023 and December 31, 2022 can be summarized as follows:

(million euros)	12.31.2022			
	Gross carrying amount	**Accumulated impairment losses**	**Accumulated amortization**	**Net carrying amount**
Land	235	(3)		232
Buildings (civil and industrial)	2,051	—	(1,400)	651
Plant and equipment	73,824	(12)	(61,810)	12,002
Manufacturing and distribution equipment	338	(1)	(317)	20
Other	3,725	(2)	(3,361)	362
Construction in progress and advance payments	834	(1)		833
Total	**81,007**	**(19)**	**(66,888)**	**14,100**

(million euros)	12.31.2023			
	Gross carrying amount	**Accumulated impairment losses**	**Accumulated amortization**	**Net carrying amount**
Land	232	(3)		229
Buildings (civil and industrial)	2,053	—	(1,400)	653
Plant and equipment	76,271	(12)	(63,849)	12,410
Manufacturing and distribution equipment	346	(1)	(325)	20
Other	3,873	(2)	(3,542)	329
Construction in progress and advance payments	1,052	(1)		1,051
Total	**83,827**	**(19)**	**(69,116)**	**14,692**

With regard to the gross amounts, in 2023 the parent company TIM S.p.A. made disposals for a total value of 341 million euros, mainly in relation to fully depreciated assets, including: network transmission plants and equipment (95 million euros), land, buildings and light constructions (46 million euros), GSM SRB-DCS equipment (45 million euros), fiber optic access (40 million euros), rented terminals (27 million euros).

NOTE 8
RIGHTS OF USE ASSETS

This item increased by 27 million euros compared to December 31, 2022. The breakdown and movements are as follows:

(million euros)	12.31.2021	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12.31.2022
Property	**2,848**	35	347	(398)	(4)	35	104	**2,967**
Plant and equipment	**1,847**	53	462	(474)	(2)	108	376	**2,370**
Other tangible assets	**119**		23	(38)	(3)		1	**102**
Construction in progress and advance payments	**30**	25					(20)	**35**
Intangible assets	**3**	8		(2)			5	**14**
Total	**4,847**	**121**	**832**	**(912)**	**(9)**	**143**	**466**	**5,488**

(million euros)	12.31.2022	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12.31.2023
Property	**2,967**	27	711	(440)	(80)	22	(40)	**3,167**
Plant and equipment	**2,370**	68	348	(483)	(79)	55	(63)	**2,216**
Other tangible assets	**102**		21	(35)	(3)		(12)	**73**
Construction in progress and advance payments	**35**	18					(24)	**29**
Intangible assets	**14**	16	7	(4)			(3)	**30**
Total	**5,488**	**129**	**1,087**	**(962)**	**(162)**	**77**	**(142)**	**5,515**

In 2023, capital expenditures mainly refer to the Domestic Business Unit and are essentially related to the acquisition of transmission capacity and telecommunications infrastructure in IRUs and improvements and incremental expenses incurred on leased property and non-property assets.

The increases in finance leasing contracts in 2023, equal to 1,087 million euros, refer to the Domestic Business Unit (553 million euros) and the Brazil Business Unit (534 million euros).

These increases include the higher value of the rights of use recorded as a result of new leases, increases of lease payments and renegotiations of agreements existing both land and buildings for office use and industrial relationship over time, to infrastructure sites for the mobile telephone network infrastructure and network. In 2023, the increases include the result of the assessment carried out by the Parent Company TIM S.p.A. on the contractual durations of real estate leases, which led to an extension of some of them, with a consequent increase in rights of use and financial liabilities of approximately 380 million euros.

Amortization and impairment losses have been recorded in the income statement as components of EBIT.

The disposals are representative of the carrying amount of the assets from lease agreements that terminated early.

Other changes refer mainly to changes related to the lower value of rights of use recorded as a result of contractual changes during the period and also include transfers in operation.

Property includes buildings and land under finance leases and the related building adaptations, attributable to the Domestic Business Unit (2,572 million euros) and the Brazil Business Unit (595 million euros).

Plant and equipment mainly includes rights of use on infrastructures for telecommunications services. They refer to the Brazil Business Unit (1,318 million euros), the Parent Company TIM S.p.A. (601 million euros), to FiberCop S.p.A. (152 million euros) and the Telecom Italia Sparkle group (145 million euros). This includes, inter alia, the recognition of the value of the telecommunications towers sold by the TIM Brasil group to American Tower do Brasil and subsequently repurchased in the form of a finance lease.

Other tangible assets mainly comprises the leases on motor vehicles. The decrease compared to December 31, 2023 is also related to the deconsolidation of the company TIM Servizi Digitali S.p.A. sold by the Parent Company TIM S.p.A. on August 4, 2023. The company is the holder of a right of use for the lease of a business unit deriving from a contract stipulated with Sittel S.p.A..

The item **Intangible assets** mainly includes Telecom Italia Sparkle's rights of use on the transmission frequency spectrum on non-illuminated fiber optic carriers of a submarine cables, as well as the right of use of the subsidiary Telsy for the use of a cloud computing platform created for the exclusive benefit of the company for the exercise of security services.

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2023 and December 31, 2022 can be summarized as follows:

(million euros)	12.31.2022			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Property	5,811	(13)	(2,831)	2,967
Plant and equipment	4,340	(278)	(1,692)	2,370
Other	272		(170)	102
Construction in progress and advance payments	35			35
Intangible assets	17	—	(3)	14
Total	**10,475**	**(291)**	**(4,696)**	**5,488**

(million euros)	12.31.2023			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Property	6,324	(13)	(3,144)	3,167
Plant and equipment	4,582	(276)	(2,090)	2,216
Other	240		(167)	73
Construction in progress and advance payments	29			29
Intangible assets	36	—	(6)	30
Total	**11,211**	**(289)**	**(5,407)**	**5,515**

Impairment losses on “Plant and equipment”, mainly relating to prior years, refers to the Indefeasible Rights of Use (IRU) for the transmission capacity and cables for international connections acquired by the Telecom Italia Sparkle group.

With reference to gross values, in 2023 the Parent Company TIM S.p.A. carried out disposals with a total value of 130 million euros mainly attributable to leased properties and related improvements and adaptations (106 million euros), leased cars (20 million euros) and base transceiver stations (3 million euros).

NOTE 9 INVESTMENTS

Investments in associates and joint ventures accounted for using the equity method

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

(million euros)		12.31.2023	12.31.2022
I-Systems S.A.		271	277
Daphne 3 S.p.A.		200	212
Italtel S.p.A.		7	9
NordCom S.p.A.		7	6
W.A.Y. S.r.l.		4	4
QTI S.r.l		2	3
Other		2	2
Total Associates	**(a)**	**493**	**513**
TIMFin S.p.A.		30	21
Polo Strategico Nazionale S.p.A.		14	5
Total Joint Ventures	**(b)**	**44**	**26**
Total investments accounted for using the equity method	**(a+b)**	**537**	**539**

The changes in this item are broken down as follows:

(million euros)	12.31.2021	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12.31.2022
I-Systems S.A.	**253**			(11)	35	**277**
Daphne 3 S.p.A.				(57)	269	**212**
Italtel S.p.A.		10		(1)		**9**
NordCom S.p.A.	**6**					**6**
W.A.Y. S.r.l.	**4**					**4**
QTI S.r.l	**2**	1				**3**
Satispay S.p.A.	**20**		(20)			**—**
Other	**3**	—			(1)	**2**
Total Associates	**288**	**11**	**(20)**	**(69)**	**303**	**513**
INWIT S.p.A.	**2,669**			(59)	(2,610)	**—**
TIMFin S.p.A.	**22**			(1)		**21**
Polo Strategico Nazionale S.p.A.		5				**5**
Total Joint Ventures	**2,691**	**5**	**—**	**(60)**	**(2,610)**	**26**
Total investments accounted for using the equity method	**2,979**	**16**	**(20)**	**(129)**	**(2,307)**	**539**

(million euros)	12.31.2022	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12.31.2023
I-Systems S.A.	277			(17)	11	**271**
Daphne 3 S.p.A.	212			(12)		**200**
Italtel S.p.A.	9			(2)		**7**
NordCom S.p.A.	6			1		**7**
W.A.Y. S.r.l.	4					**4**
QTI S.r.l	3			(1)		**2**
Other	2					**2**
Total Associates	**513**	**—**	**—**	**(31)**	**11**	**493**
TIMFin S.p.A.	21	10			(1)	**30**
Polo Strategico Nazionale S.p.A.	5	19		(10)		**14**
Total Joint Ventures	**26**	**29**	**—**	**(10)**	**(1)**	**44**
Total investments accounted for using the equity method	**539**	**29**	**—**	**(41)**	**10**	**537**

Investments in 2023 mainly include the recapitalizations of Polo Strategico Nazionale S.p.A. (19 million euros) and TIMFin S.p.A. (10 million euros).

The adjustment of Daphne 3 relates to the dividend distributed by the company during 2023.

"Other changes" mainly include exchange rate differences related to the investment in the Brazilian associate I-Systems S.A..

The list of **investments accounted for using the equity method** is presented in the Note "List of companies of the TIM Group".

Other investments in associates accounted for using the equity method of the TIM Group are not material either individually or in aggregate form.

Investments in structured entities

The TIM Group does not hold investments in structured entities.

Other investments

Other investments refer to the following:

(million euros)	12.31.2021	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12.31.2022
SECO S.p.A.	**92**			(36)		56
Fin.Priv. S.r.l.	**22**			(2)		20
Northgate Telecom Innovations Partners L.P.	**17**	3		(4)		16
UV T-Growth	**12**	8	(7)	(2)		11
Other	**13**					13
Total	**156**	**11**	**(7)**	**(44)**	**—**	**116**

(million euros)	12.31.2022	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12.31.2023
SECO S.p.A.	**56**			(20)		**36**
Banco C6 S.A.					30	**30**
Fin.Priv. S.r.l.	**20**			3		**23**
UV T-Growth	**11**	9		(5)		**15**
Northgate Telecom Innovations Partners L.P.	**16**	1		(4)		**13**
Upload Ventures Growth LP		10				**10**
Other	**13**			—		**13**
Total	**116**	**20**	**—**	**(26)**	**30**	**140**

The investment in Banco C6 S.A. represents 1.44% of the company's share capital resulting from the exercise by TIM S.A. (Brazil Business Unit), the option to purchase C6 shares as part of the partnership entered into between the parties in 2020. After the exercise of the option, TIM S.A. holds a minority position and has no position of control or significant influence in the management of C6. Further details are also provided in the Note 25 “Disputes and Pending Legal Actions, other information, commitments and guarantees”;

Furthermore:

- during 2023, TIM S.A. (Brazil Business Unit) has invested 10 million euros in the investment fund focused on 5G solutions called Upload Ventures Growth. As at December 31, 2023, TIM S.A. (Brazil Business Unit) does not control the management of the fund or exercise significant influence;
- as at December 31, 2023, the TIM Group has committed to subscribe to shares:
  - of the UV T-Growth fund in the amount of 38.7 million euros.
  - in the Northgate CommsTech Innovations Partners L.P. fund for 3.2 million USD, equal to approximately 2.9 million euros at the exchange rate as at December 31, 2023;

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

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

NOTE 10

NON-CURRENT AND CURRENT FINANCIAL ASSETS

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

(million euros)		12.31.2023	12.31.2022
Other non-current financial assets			
Securities other than investments		–	–
Receivables from employees		31	39
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature		968	1,435
Non-hedging derivatives		95	119
Other financial receivables		9	9
		1,103	**1,602**
Financial receivables for lease contracts		**112**	**49**
Total non-current financial assets	**(a)**	**1,215**	**1,651**
Securities other than investments, other financial receivables and other current financial assets			
Securities other than investments			
Measured at amortized cost (AC)		—	—
Measured at fair value through other comprehensive income (FVTOCI)		1,516	1,040
Measured at fair value through profit or loss (FVTPL)		366	406
		1,882	**1,446**
Financial receivables and other current financial assets			
Receivables from employees		24	21
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature		117	84
Non-hedging derivatives		57	47
Other short-term financial receivables		491	2
		689	**154**
	(b)	**2,571**	**1,600**
Financial receivables for lease contracts	**(c)**	**162**	**69**
Cash and cash equivalents	**(d)**	**2,912**	**3,555**
Total current financial assets	**e=(b+c+d)**	**5,645**	**5,224**
Financial assets relating to Discontinued operations/Non-current assets held for sale	**(f)**	**–**	**—**
Total non-current and current financial assets	**g=(a+e+f)**	**6,860**	**6,875**

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosures on financial instruments".

Financial receivables for lease contracts refer to:

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

Hedging derivatives relating to hedged items classified under non-current and current financial assets/liabilities include the spot mark-to-market components of hedging derivatives and accrued income on those contracts.

Non-hedging derivatives consist mainly of the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit. More specifically, they include 94 million euros in relation to the option to subscribe shares of C6 Bank with which TIM S.A. entertains commercial relations.

Further details are provided in Note 19 "Derivatives".

Other short-term financial receivables consist of the 488 million euros in National Recovery and Resilience Plan (NRRP) funds received on January 2, 2024 in relation to the 1G tender. For further details, see Note 17 “Net financial debt”.

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

- 1,516 million euros of listed securities, of which 1,007 million euros of treasury bonds purchased by Telecom Italia Finance S.A. as well as 509 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash. Under IFRS 9 and consistently with the Business model, such securities are classified as financial assets measured at fair value through other comprehensive income (FVTOCI). The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in “Sovereign debt securities”, have been made in accordance with the Guidelines for the “Management and control of financial risk” adopted by the TIM Group;
- 366 million euros of investments in monetary funds by the Brazil Business Unit, which, under IFRS 9, are classified as financial assets measured at fair value through profit or loss (FVTPL).

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

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

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

On February 14 and 16, 2023, the 98 million in BTP 3/1/2023 - falling due - were replaced by 97.8 million in BTP 1/15/2026 as part of the securities lending arrangements between TIM S.p.A. and Telecom Italia Finance S.A. and between TIM S.p.A. and NatWest, respectively.

On May 8, 2023, the securities lending arrangement with Telecom Italia Finance S.A. was terminated early and replaced by a new loan valid until October 1, 2026 for 40 million euros in BTP 12/1/2026; on May 9, 2023, TIM S.p.A. effected the early termination of its loan with NatWest and issued the above mentioned security until October 2026.

Under a securities lending agreement signed with Telecom Italia Finance S.A. on October 18, 2023, TIM S.p.A. has borrowed 131 million euros nominal in BTP 7/15/2028 until October 19, 2026; On October 25, 2023, TIM S.p.A. pledged a portion of the securities with a market value (from time to time) of 99 million euros in favour of counterparty MPS after the latter issued a bank guarantee in favour of INPS in support of the application of Art. 4 of Law 92 of June 28, 2012.

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

Further details are provided in Note 2 “Accounting policies”.

Cash and cash equivalents amounted to 2,912 million euros, a decrease of 643 million euros compared to December 31, 2022 and were broken down as follows:

(million euros)	12.31.2023	12.31.2022
Liquid assets with banks, financial institutions and post offices	2,294	2,622
Checks, cash and other receivables and deposits for cash flexibility	—	—
Securities other than investments (due within 3 months)	618	933
Total	**2,912**	**3,555**

The different technical forms of investing available cash at December 31, 2023 had the following characteristics:

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

Securities other than investments (due within 3 months) included 618 million euros (595 million euros at December 31, 2022) of Brazilian bank certificates of deposit (Certificado de Depósito Bancário) held by the Brazil Business Unit with premier local banking and financial institutions.

NOTE 11

MISCELLANEOUS RECEIVABLES AND OTHER NON-CURRENT ASSETS

These decreased by 178 million euros compared to December 31, 2022. The breakdown is as follows:

(million euros)		12.31.2023	*of which Financial Instruments*	12.31.2022	*of which Financial Instruments*
Miscellaneous receivables (non-current)	**(a)**	**390**	**154**	**560**	**275**
Other non-current assets					
Deferred contract costs		1,650		1,702	
Other deferred costs		147		103	
	(b)	**1,797**		**1,805**	
Total	**(a+b)**	**2,187**	**154**	**2,365**	**275**

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

Miscellaneous receivables (non-current) totaled 390 million euros (560 million euros at December 31, 2022) and included Non-current income tax receivables of 72 million euros (124 million euros at December 31, 2022).

This item was mainly due to the Brazil Business Unit (345 million euros; 516 million euros at December 31, 2022).

In particular, the Brazil Business Unit as of December 31, 2023 had non-current receivables relating to:

- judicial deposits of 129 million euros (248 million euros at December 31, 2022). The reduction compared to December 31, 2022 is mainly attributable to the release of the judicial deposit established in October 2022 against the litigation related to the acquisition of the mobile telephony assets of the Oi group and concluded in October 2023. Further details are provided in the Note 25 “Disputes and Pending Legal Actions, other information, commitments and guarantees”;
- indirect taxes of 147 million euros (153 million euros at December 31, 2022);
- direct taxes of 41 million euros (93 million euros at December 31, 2022).

Other non-current assets amounted to 1,797 million euros (1,805 million euros at December 31, 2022). They mainly break down as follows:

- **Deferred contract costs** of 1,650 million euros (1,702 million euros at December 31, 2022), mainly related to the deferral of costs related to the activation and acquisitions of new contracts with customers. Contractual costs (mainly technical activation costs and commissions for the sales network) were deferred and charged to the separate income statements according to the expected duration of the contractual relationship with customers (on average around 4 years for the mobile business and around 8 years for the fixed-line business).

  Total (non-current and current) deferred contract costs amounted to 2,186 million euros (2,271 million euros at December 31, 2022) and break down as follows:

(million euros)	12.31.2023	12.31.2022
Deferred contract costs		
Non-current deferred contract costs	1,650	1,702
Current deferred contract costs	536	569
Total	**2,186**	**2,271**

(million euros)	12.31.2023	12.31.2022
Deferred contract costs		
Contract acquisition costs	1,255	1,262
Contract execution costs	931	1,009
Total	**2,186**	**2,271**

Changes to comprehensive deferred contract costs in 2023 are as follows:

(million euros)	12.31.2022	Increase	Release to income statement	Exchange differences and other changes	12.31.2023
Contract acquisition costs	1,262	369	(378)	2	1,255
Contract execution costs	1,009	173	(251)		931
Total	**2,271**	**542**	**(629)**	**2**	**2,186**

The deferred contract costs will be recognized in the income statement for future years and, in particular, of around 608 million euros in 2024, based on the amount at December 31, 2023 without taking into account the new deferred portions.

(million euros)	12.31.2023	Year of recognition in the income statement					
		2024	2025	2026	2027	2028	After 2028
Contract acquisition costs	1,255	368	283	213	149	105	137
Contract execution costs	931	240	204	160	125	96	106
Total	**2,186**	**608**	**487**	**373**	**274**	**201**	**243**

- **Other deferred** costs amounted to 147 million euros, mainly attributable to the Parent Company TIM S.p.A., the companies of the Telecom Italia Sparkle group and the companies of the Brazil Business Unit.

NOTE 12

INCOME TAX EXPENSE (CURRENT AND DEFERRED)

Current income tax receivables

Non-current and current income tax receivables at December 31, 2023 amounted to 263 million euros (271 million euros at December 31, 2022).

Specifically, they consisted of:

- non-current income tax receivables of 72 million euros (124 million euros at December 31, 2022), relating to the Brazil Business Unit (41 million euros) and the Parent TIM S.p.A. (31 million euros). In detail:
  - in September 2021, following the Brazilian Supreme Federal Court's decision on the non-collection of corporate income tax and social contribution on the monetary restatement using the SELIC rate in cases of undue payment, TIM S.A. had recorded its best estimate (approximately R$ 535 million) in non-current receivables. In the third quarter of 2023, following the final favourable and unappealable decision that resulted in the approval of the receivable by the Brazilian Federal Tax Agency, TIM S.A. reclassified it to the current portion (approximately R$ 470 million);
  - the receivables of the Parent Company TIM S.p.A. include non-disposable receivables related to taxes and interest resulting from the recognized deductibility for IRES purposes of IRAP on labor costs, relating to years prior to 2012, following the entry into force of Italian Decree Law 16/2012;
- current income tax receivables of 191 million euros (147 million euros at December 31, 2022), relating to the companies of the Brazil Business Unit (139 million euros) and the Domestic Business Unit (52 million euros). Specifically, they include TIM S.A.'s receivables relating to the positive outcome of the above-mentioned decision of the Brazilian Supreme Federal Court, as well as receivables for taxes paid abroad in the amount of 13 million euros, the residual IRAP surplus from previous years in the amount of 15 million euros, the tax consolidation credit in the amount of 10 million euros and other tax credits in the amount of 4 million euros of the Parent Company TIM S.p.A.

Tax assets and deferred tax liabilities

The net balance of 618 million euros at December 31, 2023 (685 million euros at December 31, 2022) breaks down as follows:

(million euros)	12.31.2023	12.31.2022
Deferred tax assets	701	769
Deferred tax liabilities	(83)	(84)
Total	**618**	**685**

Deferred tax assets at December 31, 2023 refer to the Domestic Business Unit for 466 million euros and to the Brazil Business Unit for 235 million euros. As at December 31, 2022, deferred tax assets referred to the Domestic Business Unit for 523 million euros and the Brazil Business Unit for 246 million euros.

In the 2023 financial statements, the Parent Company TIM S.p.A. did not include IRES deferred tax for current period and prior period tax losses nor do they include IRAP deferred tax assets/liabilities, (as was the case in the previous financial statements), in consideration of the assessment of the time frame for recoverability of deferred tax assets.

Deferred tax liabilities mainly refer to Telecom Italia Capital for 45 million euros (52 million euros at December 31, 2022) and the Domestic Business Unit for 31 million euros (24 million euros at December 31, 2022).

Since the presentation of prepaid and deferred taxes in the financial statements takes into account the offsets by legal entity when applicable, the composition of the gross amounts before offsets is presented below:

(million euros)	12.31.2023	12.31.2022
Deferred tax assets	1,307	1,285
Deferred tax liabilities	(689)	(600)
Total	**618**	**685**

The temporary differences which made up this line item at December 31, 2023 and 2022, as well as the movements during 2023, were as follows:

(million euros)	12.31.2022	Recognized in profit or loss	Recognized in equity	Change in scope of consolidation and other changes	12.31.2023
Deferred tax assets					
Tax loss carryforwards (*)	25	(16)		30	39
Derivatives	289	(4)	36		321
Provision for bad debts	120	—		—	120
Provisions	415	(41)		99	473
Taxed depreciation and amortization	112	18		—	130
Other deferred tax assets	324	(19)	—	(81)	224
Total	**1,285**	**(62)**	**36**	**48**	**1,307**
Deferred tax liabilities					
Derivatives	(330)	(14)	8	(1)	(337)
Business combinations - for step-up of net assets in excess of tax basis	(57)	(41)	—	(3)	(101)
Accelerated depreciation	(136)	(32)		(6)	(174)
Other deferred taxes	(77)	—		—	(77)
Total	**(600)**	**(87)**	**8**	**(10)**	**(689)**
Total Deferred tax assets net of Deferred tax liabilities	**685**	**(149)**	**44**	**38**	**618**

(*) For the new flow of tax losses in 2023, the Parent Company TIM S.p.A. has not entered deferred tax assets.

The expirations of deferred tax assets and deferred tax liabilities at December 31, 2023 were the following:

(million euros)	Within next year	Beyond 1 year	Total at 12/31/2023
Deferred tax assets	339	968	1,307
Deferred tax liabilities	(61)	(628)	(689)
Total Deferred tax assets net of Deferred tax liabilities	**278**	**340**	**618**

At December 31, 2023, the TIM Group had unused tax loss carryforwards of 4,402 million euros, mainly relating to the Parent Company TIM S.p.A. and the company Telecom Italia Finance, with the following expiration dates:

Year of expiration	(million euros)
2024	1
2025	1
2026	1
2027	—
2028	—
Expiration after 2028	31
Without expiration	4,368
Total unused tax loss carryforwards	**4,402**

Unused tax loss carryforwards considered in the calculation of deferred tax assets amounted to 144 million euros at December 31, 2023 (73 million euros at December 31, 2022) and mainly referred to the Brazil Business Unit. Deferred tax assets were recognized as it was considered probable that taxable income will be available in the future against which the tax losses can be utilized.

On the other hand, deferred tax assets of 1,036 million euros (685 million euros at December 31, 2022) were not recognized on 4,257 million euros of tax loss carry-forwards since, at the reporting date, their recoverability was not considered probable.

At December 31, 2023, deferred tax liabilities were not recognized on approximately 2.6 billion euros of tax-suspended reserves and undistributed earnings of subsidiaries, because the TIM Group is in a position to control the timing of the distribution of those reserves and it is probable that those accumulated earnings will not be distributed in the foreseeable future.

Income tax payables

Current income tax payables amounted to 27 million euros (34 million euros at December 31, 2022). They break down as follows:

(million euros)	12.31.2023	12.31.2022
Income tax payables:		
non-current	—	—
current	27	34
Total	**27**	**34**

The current portion, amounting to 27 million euros, mainly refers to companies in the Domestic Business Unit (8 million euros) and the Brazil Business Unit (18 million euros). The current tax payables of the Parent Company TIM S.p.A. are zero (unchanged compared to December 31, 2022).

Non-current tax payables are zero (unchanged compared to December 31, 2022).

Income tax expense

The income tax expense for the years 2023 and 2022 breaks down as follows:

(million euros)		2023	2022
Current taxes for the year		81	95
Net difference in prior year estimates		(3)	(675)
Total current taxes		**78**	**(580)**
Deferred taxes		149	2,646
Total income tax expense on continuing operations	**(a)**	**227**	**2,066**
Income tax expense on Discontinued operations/Non-current assets held for sale	**(b)**	**—**	**—**
Total income tax expense for the year	**(a+b)**	**227**	**2,066**

Current taxes include the income represented by the benefit of the tax consolidation of 132 million euros and the lower taxes of previous years of 2 million euros of the Parent Company TIM S.p.A., relating to the effects of the tax return compared to the estimate made in the 2022 financial statements on the basis of the elements available at the time.

The current tax benefits juxtaposes with the deferred tax expense of the Parent Company TIM S.p.A. of 88 million euros, of which 9 million euros relate to previous years.

The reconciliation between the theoretical tax expense, using the IRES tax rate in force in Italy (24%), and the effective tax expense for the years ended December 31, 2023 and 2022 is as follows:

(million euros)		2023	2022
Profit (loss) before tax from continuing operations		**(880)**	**(588)**
Theoretical income tax expense from continuing operations		**(211)**	**(141)**
Income tax effect on increases (decreases) in variations			
Tax losses of the year not considered recoverable		401	280
Tax losses from prior years not recoverable (recoverable) in future years		(51)	(8)
Prepaid IRES tax (benefit)/write-off pursuant to Decree Law 104/2020, Art. 110 and others		—	2,656
Brazil: different tax rate compared to the theoretical rate in force in Italy		52	30
Brazil: investment incentives		(44)	(29)
Other net differences		40	(82)
Effective taxes recognized in the Income Statement, excluding IRAP and substitute tax		**187**	**2,706**
IRAP (Regional Tax on Production Activities)		40	52
Write-off of substitute tax pursuant to Decree Law 104/2020 art. 110		—	(692)
Total effective taxes recognized in the Income Statement from continuing operations	**(a)**	**227**	**2,066**
Effective taxes recognized in the Income Statement from Discontinued operations/Non-current assets held for sale	**(b)**	**—**	**—**
Total of actual taxes to income statement	**(a)+(b)**	**227**	**2,066**

For the analysis of the tax burden related to the Profit (loss) before tax from continuing operations, the impact of IRAP and substitute tax pursuant to Decree Law 104/2020, Art. 110, has been kept separate to avoid any

distorting effect, since these taxes only apply to Italian companies and are calculated on a tax base other than pre-tax profit.

Global Minimum Tax

Legislative Decree No. 209 of December 27, 2023, implementing the international tax reform, transposed European Union Council Directive No. 2022/2523/EU (the "**Directive**"), which implements the rules developed by the OECD on Pillar 2 and Global Minimum Tax ("***Model Rules***" or "***GloBE Rules***"). The new rules enter into force on January 1, 2024.

To give a very brief overview, the *GloBE Rules* introduce a coordinated system of rules for multinational groups with total revenues of 750 million euros or more, aimed at ensuring that they are subject to a minimum tax level of at least 15% in relation to income generated in each country in which they operate. The *GloBE Rules* provide for the application of a top-up tax due if the effective tax rate ("**ETR**") calculated for each country according to the common rules is below 15%, up to that level. The ETR is equal to the ratio of taxes paid (with adjustments) to accounting profit (with adjustments). Both the calculation of the effective tax rate and the supplementary tax are done on a jurisdictional (i.e. country-by-country) basis.

The OECD has developed a system of safe harbours (i.e. tests) applicable during the first three-year period of the *GloBE Rules* (until 2026), which will make it possible to avoid making the complex calculations required and to consider the supplementary tax due in a given state to be zero if one of the following tests is passed:

- ***de minimis test***: aggregate revenue in that state is less than 10 million euros and aggregate pre-tax profit is less than 1 million euros (or a loss);
- ***simplified ETR test***: The effective tax level is at least 15% (for 2024), 16% (for 2025) and 17% (for 2026) and is to be determined on the basis of the ratio of the aggregate values of pre-tax profit/loss (denominator) and income tax (numerator);
- ***routine profit test:*** the economic substance present in a given jurisdiction (calculated assuming a given implied profitability of tangible assets and personnel costs located in the jurisdiction) is greater than the aggregate amount of pre-tax profit/loss. In the event that the group is found to have a pre-tax loss, the test will be regarded as positive.

As it falls within the scope of application of the *GloBE Rules*, TIM S.p.A. is currently analysing the new rules and structuring an internal process for collecting the data necessary to carry out the calculations required when fully implemented.

TIM S.p.A. also performed a simulation on the figures for the financial year 2022, with reference to the potential application of safe harbours in the jurisdictions in which it operates. From initial estimates and based on the best interpretation of documents published by the OECD, practically all countries pass at least one of the tests.

With regard to the related amendments adopted by the IASB to IAS 12 and implemented by Regulation (EU) No. 2023/2468, please refer to what is specified in Note 2 "Accounting Policies".

NOTE 13
INVENTORIES

The item increased compared to December 31, 2022, by 23 million euros and is broken down as follows:

(million euros)	12.31.2023	12.31.2022
Raw materials and supplies	2	2
Work in progress and semifinished products	2	8
Finished goods	314	274
Deposits on stocks	27	38
Total	**345**	**322**

Inventories essentially consist of fixed and mobile telecommunications equipment and handsets and related accessories, as well as office products and specialist printers.

Inventories consist of 283 million euros for the Domestic Business Unit (280 million euros at December 31, 2022) and 62 million euros for the Brazil Business Unit (42 million euros at December 31, 2022).

The item "Deposits on stocks" refers to deposits paid for fiber on submarine cables by Telecom Italia Sparkle to construct transmission systems, limited to the component for resale also through finance lease transfer contracts.

Inventories are stated net of a provision for bad debts amounting to 13 million euros at December 31, 2023 (18 million euros at December 31, 2022).

NOTE 14

TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

This item rose by 160 million euros compared to December 31, 2022. The figure breaks down as follows:

(million euros)		12.31.2023	*of which Financial Instruments*	12.31.2022	*of which Financial Instruments*
Trade receivables					
Receivables from customers		1,351	*1,351*	1,586	*1,586*
Receivables from other telecommunications operators		1,556	*1,556*	1,288	*1,288*
	(a)	2,907	*2,907*	**2,874**	*2,874*
Miscellaneous receivables (current)					
Other receivables	(b)	752	*60*	**689**	*96*
Other current assets					
Contract assets		68	*68*	17	*17*
Deferred contract costs		536		569	
Other deferred costs		395		337	
Other		41		53	
	(c)	1,040	*68*	**976**	*17*
Total	(a+b+c)	4,699	***3,035***	**4,539**	***2,987***

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

The analyses of the aging of the financial instruments included in Trade and miscellaneous receivables and other current assets at December 31, 2023 and December 31, 2022 are provided below:

(million euros)	12.31.2023	of which non-overdue	of which overdue	of which overdue from: 0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	3,035	*2,455*	580	208	78	97	197

(million euros)	12.31.2022	of which non-overdue	of which overdue	of which overdue from: 0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	**2,987**	2,371	616	167	84	137	228

Receivables not past due are increasing, compared to December 31, 2022, by 84 million euros. The Brazil Business Unit (58 million euros, including a positive foreign exchange effect of approximately 21 million euros) and the Domestic Business Unit (26 million euros) contribute to this trend for 2023.

Past-due receivables decreased by 36 million euros compared to December 31, 2022. This reduction for the 2023 financial year is attributable to the Domestic Business Unit in the amount of 49 million euros compared to the increase recorded in the Brazil Business Unit in the amount of 13 million euros, including a positive exchange rate effect of approximately 5 million euros).

Trade receivables amounted to 2,907 million euros (2,874 million euros at December 31, 2022) and are stated net of the provision for bad debts of 463 million euros (499 million euros at December 31, 2022). They included 10 million euros (12 million euros at December 31, 2022) of medium/long-term receivables mainly relating to agreements for the sale of transmission capacity under Indefeasible Rights of Use (IRU).

Trade receivables relate, in particular, to TIM S.p.A. (1,898 million euros) and the Brazil Business Unit (726 million euros).

Movements in the provision for bad debts were as follows:

(million euros)	12.31.2023	12.31.2022
At January 1	**499**	**565**
Provision charges to the income statement	184	178
Utilization and decreases	(225)	(275)
Change in scope	—	7
Exchange rate differences and other changes	5	24
At December 31	**463**	**499**

Miscellaneous receivables (current) refer to other receivables amounting to 752 million euros (689 million euros at December 31, 2022) and are net of a provision for bad debts of 44 million euros (41 million euros at December 31, 2022). Details are as follows:

(million euros)	12.31.2023	12.31.2022
Advances to suppliers	335	282
Receivables from employees	10	10
Tax receivables	185	152
Receivables for grants from the government and public entities	10	11
Sundry receivables	212	234
Total	**752**	**689**

As at December 31, 2023, "tax receivables" refer to the Brazil Business Unit for 153 million euros and to the Domestic Business for 32 million euros.

“Receivables for grants from the government and public entities” mainly refer to the projects called Ultra Broadband-BUL and Broadband-BL. These contributions are recognised in the income statement at the time of entry into operation of the plants to which the contributions refer.

“Sundry receivables” mainly included:

- TIM S.p.A. receivables for Universal Service (52 million euros);
- miscellaneous receivables of TIM S.p.A. from other TLC operators (27 million euros);
- TIM S.p.A. receivables for with-recourse assignments to factoring companies (23 million euros);
- TIM S.p.A. receivables from social security and pension institutions (18 million euros).

Other current assets included:

- **Contract assets**. This item mainly includes:
  - 12 million euros attributable to the parent company TIM S.p.A. due to the effect of the early recognition of revenues for those bundle contracts (such as bundles of products and services) with individual performance obligations with a different recognition timing, in which the goods recognized “at a point in time” are sold at a discounted price, or for those contracts which, by providing for a discount for a period of time shorter than the minimum contract term, require, pursuant to IFRS 15, a reallocation of the discount over the minimum contractual term. These Contract Assets are net of the related impairment provision of 1 million euros;
  - 53 million euros from the Parent Company TIM S.p.A. and the company FiberCop S.p.A. relating to works carried out in 2023 in connection with the NRRP projects.
- **Deferred contract costs** (536 million euros; 569 million euros at December 31, 2022): There are contractual costs (mainly technical activation costs and commissions for the sales network) deferred and charged to the separate income statements according to the expected duration of the contractual relationship with customers (around 4 years for the mobile business and around 8 years for the fixed-line business). Further details on Deferred contract costs are provided in the Note 11 “Miscellaneous receivables and other non-current assets”.
- **Other deferred costs** mainly concern:
  - the Parent Company essentially for: a) costs related to rental charges and other lease and rental costs (266 million euros); b) after-sales expenses on application offers (32 million euros); c) costs for the purchase of products and services (23 million euros); d) insurance premiums (8 million euros); e) maintenance fees (6 million euros);
  - to the Telecom Italia Sparkle group mainly related to the deferral of costs connected to payments for line lease and maintenance payments (13 million euros);
  - the Brazil Business Unit (15 million euros), essentially related to the deferral of service costs.

NOTE 15
EQUITY

This item consisted of:

(million euros)	12.31.2023	12.31.2022
Equity attributable to owners of the Parent	13,646	15,061
Non-controlling interests	3,867	3,664
Total	**17,513**	**18,725**

The composition of **Equity attributable to owners of the Parent** is the following:

(million euros)	12.31.2023		12.31.2022	
Share capital		11,620		11,614
Additional paid-in capital		575		2,133
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year		1,451		1,314
Reserve for financial assets measured at fair value through other comprehensive income	(22)		(58)	
Reserve for hedging instruments	(80)		65	
Reserve for exchange differences on translating foreign operations	(1,959)		(2,085)	
Reserve for remeasurements of employee defined benefit plans (IAS 19)	(79)		(71)	
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	—		—	
Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	3,591		3,463	
Total		**13,646**		**15,061**

As of December 31, 2023, the **Share Capital** is 11,620 million euros, already net of treasury shares of 57 million euros. Capital increased by 6 million euros as a result of the allocation of treasury shares in execution of the first cycle of the Long Term Incentive Plan 2020-2022.

It should be noted that the Parent Company's Share Capital is subject to a tax suspension restriction for tax purposes in the amount of 1,191 million euros (unchanged from December 31, 2022).

Movements in Share Capital during 2023 are presented in the following tables:

Reconciliation between the number of shares outstanding at December 31, 2022 and December 31, 2023

(number of shares)		as at 12/31/2022	Share assignment/ issue	at 12/31/2023	% on Capital
Ordinary shares issued	(a)	15,329,466,496	—	15,329,466,496	71.78%
less: treasury shares	(b)	(115,942,196)	10,879,774	(105,062,422)	
Ordinary shares outstanding	(c)	15,213,524,300	10,879,774	15,224,404,074	
Savings shares issued and outstanding	(d)	6,027,791,699	—	6,027,791,699	28.22%
Total TIM S.p.A. shares issued	**(a+d)**	**21,357,258,195**	**—**	**21,357,258,195**	**100.00%**
Total TIM S.p.A. shares outstanding	**(c+d)**	**21,241,315,999**	**10,879,774**	**21,252,195,773**	

Reconciliation between the value of shares outstanding at December 31, 2022 and December 31, 2023

(million euros)		Share Capital at 12/31/2022	Change in share capital	Share Capital at 12/31/2023
Ordinary shares issued	(a)	8,381	—	**8,381**
less: treasury shares	(b)	(63)	6	**(57)**
Ordinary shares outstanding	(c)	8,318	6	**8,324**
Savings shares issued and outstanding	(d)	3,296	—	**3,296**
Total TIM S.p.A. share capital issued	**(a+d)**	**11,677**	**—**	**11,677**
Total TIM S.p.A. share capital outstanding	**(c+d)**	**11,614**	**6**	**11,620**

The total value of ordinary treasury shares at December 31, 2023, amounting to 330 million euros, was recorded as follows: the part relating to accounting par value (57 million euros) recognized as a deduction from the share capital issued and the remaining part as a deduction from Other reserves and retained earnings (accumulated losses), including profit (loss) for the year.

Disclosure on share capital

The ordinary and savings shares of TIM S.p.A. are listed in Italy (FTSE index).

In the shareholder resolutions passed to increase share capital against cash payments, the pre-emption right can be excluded to the maximum extent of ten percent of the pre-existing share capital, on condition that the issue price corresponds to the market price of the shares and that this is confirmed in a specific report issued by the firm charged with the audit of the Company.

The Group sources itself with the capital necessary to fund its business development and operation requirements; the sources of funds are found in a balanced mix of equity, permanently invested by the shareholders, and debt capital, to guarantee a balanced financial structure and minimize the total cost of capital, with a resulting advantage to all the stakeholders.

Debt capital is structured according to different maturities and currencies to ensure an adequate diversification of the sources of funding and an efficient access to external sources of financing (taking advantage of the best opportunities offered in the financial markets of the euro, U.S. dollar and Pound sterling areas to minimize costs), taking care to reduce the refinancing risk.

The remuneration of equity is proposed by the Board of Directors to the Shareholders' Meeting, which meets to approve the annual financial statements, based upon market trends and business performance, once all the other obligations are met, including debt servicing. Therefore, to ensure an adequate remuneration of capital, safeguard company continuity and business development, the Group constantly monitors the change in debt levels in relation to equity, the level of net debt and the operating margin of industrial operations.

Privileges of savings shares

The privileges of TIM S.p.A. savings shares are indicated below:

- the profit shown in the duly approved financial statements, after deducting the amount to be allocated to the legal reserve, must be distributed to the holders of savings shares in an amount up to 5% of the 0.55 euros per share;
- after assigning preferred dividends to the savings shares, the distribution of which is approved by the shareholders' meeting, the remaining profit shall be allocated among all the shares, so that savings shares are entitled to higher overall dividends than ordinary shares would be entitled to, to the extent of 2% of 0.55 euros per share;
- when, in any one year, dividends of below 5% of the 0.55 euros per share are paid to the savings shares, the difference is determined as an increase of the privileged dividend in the next two subsequent years;
- in the event of a distribution of reserves, the savings shares have the same rights as the other shares. Moreover, when there is no profit or insufficient profit is reported in the financial statements for a given year to satisfy the aforesaid savings shares privileges, the Shareholders' Meeting called to approve those financial statements may choose to satisfy the dividend right and/or the higher dividend right by distributing available reserves. The distribution of available reserves for such payments excludes the application of the mechanism extending the right to the preferred dividend not paid through the distribution of profits for the following two years;
- the reduction of share capital as a result of losses does not affect the savings shares except for the amount of the loss which is not covered by the portion of the share capital represented by the other shares;
- upon the wind-up of TIM S.p.A., the savings shares have a pre-emption right in the reimbursement of capital up to the amount of 0.55 euros per share;
- in the event of the cessation of trading in the Company's ordinary or savings shares, the holder of savings shares may ask TIM S.p.A. to convert his/her shares into ordinary shares, using the method selected during a special session of the shareholders' meeting called for that purpose within two months of being excluded from trading.

The **Share Premium Reserve** is 575 million euros, decreased by 1,558 million euros compared to December 31, 2022 as, based on the resolution of the Shareholders' Meeting of April 20, 2023, it was used to cover the loss for the year 2022 resulting from the financial statements of the Parent Company TIM S.p.A.

Other reserves moved through the Statements of comprehensive income comprised:

- The **Reserve for financial assets measured at fair value through other comprehensive income**, negative for 22 million euros at December 31, 2023, decreased by 36 million euros compared to the figure at December 31, 2022. Specifically, the movement in 2023 includes gains in the securities portfolio of Telecom Italia Finance (59 million euros, of which 9 million euros were realized), losses in the securities portfolio of TI Ventures (9 million euros), losses recognized by Olivetti for the valuation of SECO S.p.A. (20 million euros), profits from other financial assets held by the Parent Company TIM (3 million euros) and profits from the investment in Fin.Priv. S.r.l. of the Parent Company TIM (3 million euros). This reserve is stated net of deferred tax assets of 2 million euros (at December 31, 2022, it was stated net of deferred tax liabilities of 3 million euros).
- The **Reserve for hedging instruments** had a negative balance of 80 million euros at December 31, 2023, (positive 65 million euros at December 31, 2022). This reserve is stated net of deferred tax assets of 23 million euros (at December 31, 2022, it was stated net of deferred tax liabilities of 22 million euros). In particular, this reserve includes the effective portion of gains or losses on the fair value adjustments of derivatives designated as hedges of the exposure to volatility in the cash flows of assets or liabilities recognized in the financial statements ("cash flow hedge").
- The **Reserve for exchange differences on translating foreign operations** showed a negative balance of 1,959 million euros at December 31, 2023 (negative 2,085 million euros at December 31, 2022) and mainly related to exchange differences resulting from the translation into euros of the financial statements of companies belonging to the Brazil Business Unit (negative for 1,983 million euros versus negative for 2,114 million euros at December 31, 2022).
- The **Reserve for the remeasurement of employee defined benefit plans**, negative for 79 million euros, decreased by 8 million euros compared with December 31, 2022 following the recording of the changes in actuarial gains (losses), net of the related income tax effect.
- The **Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method** is nil at both December 31, 2023 and December 31, 2022.

Other sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year amounted to 3,591 million euros and increased by 128 million euros, as detailed below:

(million euros)	2023	2022
Profit (loss) for the year attributable to owners of the Parent	(1,441)	(2,925)
Dividends approved - TIM S.p.A.	—	—
Equity instruments	2	6
Disposal of treasury shares under the LTI Plan	(6)	—
Share of loss coverage for the year 2022 using Share Premium Reserve	1,558	—
Other changes	15	6
Change for the year in Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	**128**	**(2,913)**

No dividends were approved in 2023 and 2022.

Equity attributable to non-controlling interests, amounted to 3,867 million euros and mainly referred to FiberCop S.p.A. (2,222 million euros) and the companies of the Brazil Business Unit (1,645 million euros), increases by 203 million euros compared to December 31, 2022 as detailed below:

(million euros)	2023	2022
Profit (loss) for the year attributable to Non-controlling interests	334	271
Group Company dividends paid to minority shareholders	(197)	(86)
Changes in the Reserve for exchange differences on translating foreign operations	63	182
Daphne3 - deconsolidation	—	(1,332)
Other changes	3	4
Change for the year in Equity attributable to Non-controlling interest	**203**	**(961)**

Dividends from Group companies to minority shareholders mainly referred to the Brazil Business Unit in the amount of 136 million euros and FiberCop S.p.A. in the amount of 61 million euros. Dividends in 2022 mainly referred to the Brazil Business Unit for 86 million euros.

The Reserve for exchange differences on translating foreign operations attributable to non-controlling interest showed a negative balance of 910 million euros at December 31, 2023 (negative for 973 million euros at December 31, 2022), relating entirely to exchange differences arising from the translation into euros of the financial statements of the companies belonging to the Brazil Business Unit.

Future potential changes in share capital

Details of “Future potential changes in share capital” are presented in Note 38 “Earnings per share”.

NOTE 16

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

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

(million euros)		12.31.2023	12.31.2022
Non-current financial liabilities for financing contracts and others			
Financial payables (medium/long-term):			
Bonds		15,297	15,259
Amounts due to banks		5,262	5,898
Other financial payables		310	305
		20,869	**21,462**
Other medium/long-term financial liabilities:			
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature		397	234
Non-hedging derivatives		15	43
Other liabilities		3	—
		415	**277**
	(a)	**21,284**	**21,739**
Non-current financial liabilities for lease contracts	**(b)**	**4,743**	**4,597**
Total non-current financial liabilities	**c=(a+b)**	**26,027**	**26,336**
Current financial liabilities for financing contracts and others			
Financial payables (short term):			
Bonds		3,266	2,799
Amounts due to banks		2,145	1,766
Other financial payables		242	195
		5,653	**4,760**
Other short-term financial liabilities:			
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature		66	193
Non-hedging derivatives		51	86
Other liabilities		1	—
		118	**279**
	(d)	**5,771**	**5,039**
Current financial liabilities for lease contracts	**(e)**	**838**	**870**
Total current financial liabilities	**f=(d+e)**	**6,609**	**5,909**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	**(g)**	**—**	**—**
Total Financial liabilities (Gross financial debt)	**h=(c+f+g)**	**32,636**	**32,245**

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosures on financial instruments".

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

	12.31.2023		12.31.2022	
	(millions of foreign currency)	(million euros)	(millions of foreign currency)	(million euros)
USD	5,696	5,155	5,901	5,532
GBP	—	—	389	439
BRL	21,670	4,051	17,348	3,117
YEN	20,033	128	20,030	142
ILS	44	11	49	13
EUR		23,291		23,002
Total		**32,636**		**32,245**

For the exchange rates used for the conversion of amounts in foreign currency, see the Note 44 "Other information".

The breakdown of gross financial debt by effective interest-rate bands applicable to the original currency is provided below, excluding the effect of any derivative hedging instruments:

(million euros)	12.31.2023	12.31.2022
Up to 2.5%	4,138	5,873
From 2.5% to 5%	9,907	13,469
From 5% to 7.5%	10,309	6,920
From 7.5% to 10%	3,742	2,024
Over 10%	3,389	2,748
Accruals/deferrals, MTM and derivatives	1,151	1,211
Total	**32,636**	**32,245**

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

(million euros)	12.31.2023	12.31.2022
Up to 2.5%	6,390	8,416
From 2.5% to 5%	8,443	13,168
From 5% to 7.5%	9,719	5,039
From 7.5% to 10%	2,917	1,192
Over 10%	4,016	3,219
Accruals/deferrals, MTM and derivatives	1,151	1,211
Total	**32,636**	**32,245**

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

	maturing by 12/31 of the year:						
-+	**2024**	**2025**	**2026**	**2027**	**2028**	**After 2028**	**Total**
Bonds	2,867	2,220	1,970	1,470	3,214	6,305	18,046
Loans and other financial liabilities	982	1,080	1,588	423	2,040	(87)	6,026
Finance lease liabilities	751	612	578	537	471	2,545	5,494
Total	**4,600**	**3,912**	**4,136**	**2,430**	**5,725**	**8,763**	**29,566**
Current financial liabilities	1,377	—	—	—	—	—	1,377
Total	**5,977**	**3,912**	**4,136**	**2,430**	**5,725**	**8,763**	**30,943**

The main components of financial liabilities are commented below.

Bonds are broken down as follows:

(million euros)	12.31.2023	12.31.2022
Non-current portion	15,297	15,259
Current portion	3,266	2,799
Total carrying amount	**18,563**	**18,058**
Fair value adjustment and measurements at amortized cost	(517)	(506)
Total nominal repayment amount	**18,046**	**17,552**

The nominal repayment amount of bonds totaled 18,046 million euros, down by 494 million euros compared to December 31, 2022 (17,552 million euros) as a result of the new issuances/repayments/buybacks made in 2023.

(millions of original currency)	Currency	Amount	Issue date
New issues			
TIM S.p.A. 850 million euros 6.875%	Euro	850	1/27/2023
TIM S.p.A. 400 million euros 6.875%	Euro	400	4/12/2023
TIM S.p.A. 750 million euros 7.875%	Euro	750	7/20/2023
TIM Brasil Serviços e Participações SA 5,000 million BRL	BRL	5,000	7/31/2023
TIM S.p.A. 750 million euros 7.875%	Euro	750	9/28/2023

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 1,000 million euros 3.25%	Euro	1,000	1/16/2023
Telecom Italia S.p.A. 375 million GBP 5.875% [(a)]	GBP	375	5/19/2023
Telecom Italia S.p.A. 1,000 million euros 2.5%	Euro	1,000	7/19/2023

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

(millions of original currency)	Currency	Amount	Buyback date
Buybacks			
Telecom Italia S.p.A. 750 million euros 3.625%, maturity 1/19/2024	Euro	300	7/20/2023
Telecom Italia S.p.A. 1,250 million euros 4%, maturity 4/11/2024	Euro	300	7/20/2023

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

Currency	Total (millions)	Nominal repayment amount (million euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 12/31/2023 (%)	Market value at 12/31/2023 (million euros)
Bonds issued by TIM S.p.A.								
Euro	450	450	3.625%	20/1/16	19/1/24	99.632	99.915	450
Euro	950	950	4.000%	11/1/19	11/4/24	99.436	99.777	948
USD	1,500	1,357	5.303%	30/5/14	30/5/24	100	99.564	1,351
Euro	1,000	1,000	2.750%	15/4/19	15/4/25	99.320	97.643	976
Euro	1,000	1,000	3.000%	30/9/16	30/9/25	99.806	97.833	978
Euro	750	750	2.875%	28/6/18	28/1/26	100	96.950	727
Euro	1,000	1,000	3.625%	25/5/16	25/5/26	100	98.467	985
Euro	1,250	1,250	2.375%	12/10/17	12/10/27	99.185	93.700	1,171
Euro	850	850	6.875%	27/1/23	15/2/28	100	106.731	907
Euro	400	400	6.875%	12/4/23	15/2/28	100.750	106.731	427
Euro	750	750	7.875%	20/7/23	31/7/28	99.996	111.422	836
Euro	750	750	7.875%	28/9/23	31/7/28	102	111.422	836
Euro	1,000	1,000	1.625%	18/1/21	18/1/29	99.074	86.604	866
Euro	670	670	5.250%	17/3/05	17/3/55	99.667	92.371	619
Subtotal		**12,177**						**12,077**
Bonds issued by Telecom Italia Finance S.A. and guaranteed by TIM S.p.A.								
Euro	1,015	1,015	7.750%	1/24/2003	1/24/2033	(a) 109.646	117.027	1,188
Subtotal		**1,015**						**1,188**
Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A.								
USD	1,0	905	6.375%	29/10/03	15/11/33	99.558	97.921	886
USD	1,0	905	6.000%	6/10/04	30/9/34	99.081	95.348	863
USD	1,0	905	7.200%	18/7/06	18/7/36	99.440	100.717	911
USD	1,0	905	7.721%	4/6/08	4/6/38	100	102.488	928
Subtotal		**3,620**						**3,588**
Bonds issued by TIM S.A.								
BRL	1,600	299	IPCA+4.1682%	15/6/21	15/6/28	100	113.295	339
Subtotal		**299**						**339**
Bonds issued by TIM Brasil Serviços e Participações S.A.								
BRL	5,000	935	CDI+2.3%	31/7/23	25/7/28	100	103.963	972
Subtotal		**935**						**972**
Total		**18,046**						**18,164**

(a) Weighted average issue price for bonds issued with more than one tranche.

The regulations and the Offering Circulars relating to the bonds of the TIM Group are available on the corporate website gruppotim.it.

Medium/long-term amounts **due to banks** totaled 5,262 million euros (5,898 million euros at December 31, 2022). Short-term amounts due to banks totaled 2,145 million euros (1,766 million euros at December 31, 2022) and included 1,033 million euros of the current portion of medium/long-term amounts due to banks and 854

million euros in repurchase agreements due by June 2024.

The **other medium/long-term financial payables** totaled 310 million euros (305 million euros at December 31, 2022), 126 million euros of which refer to the Telecom Italia Finance S.A. loan for JPY 20,000 million, maturing in 2029. Short-term other financial payables amounted to 242 million euros (195 million euros at December 31, 2022) and included 16 million euros of the current portion of medium/long-term other financial payables.

Medium/long-term financial liabilities for lease contracts amounted to 4,743 million euros (4,597 million euros at December 31, 2022), whilst short-term payables totaled 838 million euros (870 million euros at December 31, 2022) and included 786 million euros in the current portion of financial liabilities for medium/long-term lease contracts.

With reference to the finance lease liabilities recognized in 2023 and 2022, the following is noted:

(million euros)	2023	2022
Principal reimbursements	742	708
Cash out interest portion	416	315
Total	**1,158**	**1,023**

Hedging derivatives relating to items classified as non-current financial liabilities amount to 397 million euros (234 million euros at December 31, 2022). Hedging derivatives relating to items classified as current liabilities of a financial nature totaled 66 million euros (193 million euros at December 31, 2022).

Non-hedging derivatives classified as non-current financial liabilities came to 15 million euros (43 million euros at December 31, 2022), while non-hedging derivatives classified under current financial liabilities amounted to 51 million euros (86 million euros at December 31, 2022). These also include the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS.

Covenants and negative pledges in place at December 31, 2023

Bonds issued by TIM S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that result in the automatic early redemption of the bonds in relation to events other than the insolvency of the TIM Group; furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relating to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..

Since these bonds have been placed principally with institutional investors in main world capital markets (Euromarket and USA), the terms which regulate the bonds are in line with the market practice for similar transactions effected on these same markets.

Regarding loans taken out by TIM from the European Investment Bank (EIB), on May 19, 2021, TIM entered into a loan for an amount of 230 million euros, in support of projects to digitize the country. In addition, on that same date, it extended the loan signed in 2019 (for an initial amount of 350 million euros) for an additional amount of 120 million euros.Currently, these loans are partially guaranteed.

In addition, on May 5, 2023, TIM took out a new 360 million euro loan with the EIB, partially guaranteed by SACE.

Therefore, at December 31, 2023 the nominal total of outstanding loans with the EIB was 1,060 million euros.

The EIB loans include the following covenants and commitments:

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

Some TIM loan agreements not contain financial covenants (e.g. Debt/EBITDA, EBITDA/interest ratios, etc.), failure to comply with which would entail an obligation to repay the loan in place. These include the loan signed on July 6, 2022, which is backed by the "Italy Guarantee" (in accordance with art. 1, subsection 1 of Decree-Law no. 23 of April 8, 2020, as subsequently amended and supplemented).

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

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

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

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

Finally, as at December 31, 2023, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

Revolving Credit Facility

The following table shows committed credit lines(*) available at December 31, 2023:

(billion euros)	12.31.2023		12.31.2022	
	Agreed	Drawn down	Agreed	Drawn down
Sustainability-linked RCF - May 2026	4.0	—	4.0	—
Total	**4.0**	—	**4.0**	**—**

(*) In accordance with the contract signed, the Banks have committed to make the funds available on demand (with at least 3 days' notice). As this is a "Committed" line, the banks have no mechanisms in place not to honor the request for funds made by the Company, without prejudice to the market standard early mandatory cancellation clauses (Natural contract expiry, Change in control, Borrower illegality, Events of default each as defined in the contract).

Rating at December 31, 2023

At December 31, 2023, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	B+	Under review for upgrade
MOODY'S	B1	Under review for upgrade
FITCH RATINGS	BB-	Under review for upgrade

On November 6, 2023, Moody's placed Telecom Italia's B1 rating under review in view of a possible future upgrade.

On November 9, 2023, Standard & Poor's placed Telecom Italia's B+ rating under review in view of a possible future upgrade.

On November 10, 2023, Fitch placed Telecom Italia's BB- rating under review in view of a possible future upgrade.

NOTE 17
NET FINANCIAL DEBT

The table below shows the breakdown of net financial debt of the TIM Group at December 31, 2023 and December 31, 2022, determined in accordance with the provisions of the "Guidelines on disclosure requirements under the Prospectus Regulation" issued by the ESMA (European Securities & Markets Authority) on March 4, 2021 (ESMA32-382-1138) and incorporated by Consob with its Note of Attention no. 5/21 dated April 29, 2021.
This table also shows the reconciliation of the net financial debt determined according to the aforementioned criteria indicated by the ESMA and net financial debt calculated according to the criteria of the TIM Group.

(million euros)		12.31.2023	12.31.2022
Liquid assets with banks, financial institutions and post offices	(a)	2,294	2,622
Other cash and cash equivalents	(b)	618	933
Securities other than investments	(c)	1,882	1,446
Liquidity	**(d=a+b+c)**	**4,794**	**5,001**
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(e)	1,391	1,115
Current portion of non-current financial debt	(f)	5,044	4,663
Current financial debt	**(g=e+f)**	**6,435**	**5,778**
Net current financial debt	**(h=g-d)**	**1,641**	**777**
Non-current financial debt (excluding the current part and debt instruments)	(i)	9,667	9,523
Debt instruments	(j)	15,297	15,259
Trade payables and other non-current debt	(k)	68	117
Non-current financial debt	**(l=i+j+k)**	**25,032**	**24,899**
Total net financial debt as per ESMA guidelines 32-382-1138	**(m=h+l)**	**26,673**	**25,676**
Trade payables and other non-current debt		(68)	(117)
Non-current financial receivables arising from lease contracts		(112)	(49)
Current financial receivables arising from lease contracts		(162)	(69)
Financial receivables and other current financial assets		(515)	(23)
Other financial receivables and other non-current financial assets		(40)	(48)
Financial assets/liabilities relating to discontinued operations/non-current assets held for sale		—	—
Subtotal	**(n)**	**(897)**	**(306)**
Net financial debt carrying amount (*)	**(p=m+n)**	**25,776**	**25,370**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(q)	(120)	(6)
Adjusted Net Financial Debt	**(r=p+q)**	**25,656**	**25,364**

(*) As regards the effects of related-party transactions on net financial debt, reference should be made to the specific table included in Note 40 "Related-party transactions".

Additional cash flow information required by IAS 7

(million euros)		12.31.2022	Cash movements		Non-cash movements			12.31.2023
			Receipts and/or issues	Payments and/or reimburse-ments	Exchange differences	Fair value changes	Other changes and reclassifica-tions	
Financial payables (medium/long-term):								
Bonds		18,058	3,676	(3,032)	(148)	(36)	45	18,563
Amounts due to banks		6,743	361	(833)	(1)		25	6,295
Other financial payables		324			(8)		10	326
	(a)	**25,125**	**4,037**	**(3,865)**	**(157)**	**(36)**	**80**	**25,184**
of which short-term		*3,663*						*4,315*
Medium/long-term finance lease liabilities:		5,453	373	(742)	91		354	5,529
	(b)	**5,453**	**373**	**(742)**	**91**	**—**	**354**	**5,529**
of which short-term		*856*						*786*
Other medium/long-term financial liabilities:								
Hedging derivative liabilities relating to hedged items classified as non-current assets/liabilities of a financial nature		427			(113)	161	(12)	463
Non-hedging derivative liabilities		125			4	(54)	(9)	66
Other liabilities		—					3	3
	(c)	**552**	**—**	**—**	**(109)**	**107**	**(18)**	**532**
of which short-term		*275*						*117*
Financial payables (short term):								
Amounts due to banks		921					191	1,112
Other financial payables		194			(5)	1	89	279
	(d)	**1,115**	**—**	**—**	**(5)**	**1**	**280**	**1,391**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale:	**(e)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total Financial liabilities (Gross financial debt)	**(f=a+b+c+d+e)**	**32,245**	**4,410**	**(4,607)**	**(180)**	**72**	**696**	**32,636**
Hedging derivative receivables relating to hedged items classified as current and non-current assets/liabilities of a financial nature	**(g)**	1,519			(400)	(23)	(11)	1,085
Non-hedging derivative receivables	**(h)**	166			(14)	(19)	19	152
Total	**(i=f-g-h)**	**30,560**	**4,410**	**(4,607)**	**234**	**114**	**688**	**31,399**

The change in short-term payables to banks (191 million euros) is mainly due to the opening/closing of Repurchased credit agreements and bank credit lines.

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

(million euros)	2023	2022
Interest expense paid	(2,103)	(1,668)
Interest income received	597	562
Net total	**(1,506)**	**(1,106)**

To consider the components of CCIRS derivatives as a single transaction, a representation is given with interest flows in and out shown net. This approach gives the following results:

(million euros)	2023	2022
Interest expense paid	(1,741)	(1,297)
Interest income received	235	191
Net total	**(1,506)**	**(1,106)**

National Recovery and Resilience Plan (NRRP)

Introduction

In August 2022, the TIM Group ("TIM") signed agreements with Infratel ("Distributing Entity"), relating to the award of three infrastructure tenders in the sector, for public grants to finance investment projects concerning the construction of new telecommunications infrastructure and related access equipment.

In these three tenders, which contain a clawback clause[1], TIM has won about 50% of the lots planned for **ITALIA 1G Plan ("1G")** in temporary consortium (RTI) with FiberCop; all tenders for the **5G Backhauling Plan ("5G_BH")**; the entire tender for the **5G Coverage Plan ("5G_CO")** in temporary consortium (RTI) with INWIT and Vodafone.

The 3 calls involve investments and undertakings by TIM until June 30, 2026, with interim half-yearly milestones. The total value is approximately 3.6 billion euros, with a booked contribution of 2.5 billion euros. Specifically:

- the 1G tender is for eligible investments of 2.6 billion euros and a contribution of 1.6 billion euros (average financeable capex of 62%);
- the 5G_BH tender is for eligible investments of 0.8 billion euros and a contribution of 0.725 billion euros (average financeable capex of 89%);
- the 5G_CO tender is for eligible investments of 0.158 billion euros and a contribution of 0.142 billion euros (average financeable capex of 89%).

Failure to achieve the milestones will lead to a penalty notice — reducing the contribution to be granted — which is recoverable within the next two milestones (i.e. within 12 months).

ITALIA 1G Plan

The Plan anticipates the creation of 2.9 million "address numbers" (this number was halved following the walk-in stage) and involves: the adaptation of fiber telecommunications networks; connectivity for consumer, business and public administration (PA) customers; dedicated connections for PA customers; and XGSPON technology coverage with download connections starting from 1 Gb.

5G Backhauling Plan

The Plan involves equipping mobile radio sites with fiber optic backhauling (BH) and connectivity on a high-performance, reliable and enabling transport network for all 5G services. These infrastructures will be made available in their entirety to all 5G mobile radio operators.

5G Coverage Plan

The Plan involves building new network infrastructure for the development of 5G mobile radio services, with the objective of achieving a transmission speed, under usual peak traffic conditions, of at least 150 Mbit/s in downlink and 30 Mbit/s in uplink.

Summary of Tenders

Every week, TIM sends weekly Infratel the official project tracking, communicating the status of the addresses/sites and the progress of the projects. In addition, every two weeks, a technical works update (in Italian: SAL) is held with the Distributing Entity to discuss the above-mentioned progress, critical issues and shared solutions to ensure that the plans proceed as expected.

Finally, every six months (i.e. at each milestone), TIM provides the Distributing Entity with a final summary of the addresses and sites, the progress made, and the planning of the next milestone.

Tender Advances

On May 12, 2023, INWIT (as representative for the 5G Coverage Plan) asked Infratel to activate and disburse a 20% advance payment (pursuant to art. 35, paragraph 18 of the Procurement Code); this advance may (at the discretion of Infratel) be increased up to a maximum of 30% in application of the "NRRP Decree".

On May 25 and 26, 2023, TIM asked Infratel to activate and disburse an advance payment for Plan 1G (representing the temporary consortium) and Plan 5G_BH, in the same manner as described above.

On November 28, 2023, Infratel agreed to the request to advance 30% of the total grant awarded for the 1G and 5G Plans, setting forth a progressive recovery method whereby 40% of the payable grant would be applied at each technical works update (SAL) up to the amount advanced.

As a condition precedent for the disbursement of advances, bank/insurance guarantees were issued for the full amount advanced, plus statutory interest.

These guarantees were issued to TIM by banks and insurance companies on December 21 and 22, 2023.

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1 It indicates the contractual provision that allows the monitoring of the profitability of the investment by quantifying any additional profits deriving from the comparison of active/passive revenues and the costs incurred for maintenance, reconfiguration, active equipment or other costs related to the provision of services.

The table below shows the amounts awarded, together with the advances for each plan:

(million euros)

Plan	Amount awarded	% requested	Advance	Advance to TIM	Advance to consortium (RTI)
1G	1,628	30 %	488		
5G_BH	725	30 %	217		
5G_CO	346	30 %		53	104
TOTAL	**2,699**		**705**	**53**	**104**
			758		

Guarantees issued:

(million euros)

Plan	Guarantee amount	Guarantee type	Total premiums/fees
1G	208	Bank	10
	317	Insurance	9
5G_BH	234	Insurance	10
5G_CO	112	Bank	57
TOTAL	**871**		**86**

On December 29, 2023, after receiving the advance from Infratel, INWIT transferred part of its advance allocated for the 5G_CO tender to TIM.

The advance for the 1G and 5G tenders was disbursed by Infratel on December 28, 2023. The advance for 5G_BH was credited on December 29, 2023. Due to a delay on the bank's side, the advance for the 1G tender was credited on January 2, 2024. Infratel requested that the value date be changed to December 29, 2023.

The advances credited for the 5G_BH and 5G_CO tenders are recognised in Cash and cash equivalents and those for the 1G tender in short-term financial receivables, whereas for all tenders a contra-entry has been recognised to Miscellaneous payables to Infratel for the advances received.

NOTE 18
FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies of the TIM Group

The TIM Group is exposed to the following financial risks in the ordinary course of its business operations:

- Market risk: stemming from changes in interest rates and exchange rates in connection with financial assets that have been originated and financial liabilities that have been assumed;
- Credit risk: representing the risk of non-fulfillment of obligations undertaken by the counterparty with regard to the liquidity investments of the Group;
- Liquidity risk: connected with the need to meet short-term financial commitments.

These financial risks are managed by:

- the establishment, at central level, of guidelines for directing operations;
- the work of an internal committee that monitors the level of exposure to market risks in accordance with pre-established general objectives;
- the identification of the most suitable financial instruments, including derivatives, to reach pre-established objectives;
- the monitoring of the results achieved;
- the exclusion of the use of financial instruments for speculative purposes.

The policies for the management and the sensitivity analyses of the above financial risks by the TIM Group are described below.

Identification of risks and analysis

The TIM Group is exposed to market risks, as a result of changes in interest rates and exchange rates, in the markets in which it operates or has bond issues, mainly in Europe, the United States and Latin America.

The financial risk management policies of the TIM Group are directed towards diversifying market risks, hedging exchange rate risk in full and minimizing interest rate exposure by an appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments.

The Group defines an optimum composition of its debt structure by balancing fixed and variable-rates and uses derivative financial instruments to achieve that debt 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 risk, the Group has adopted Guidelines on "Management and control of financial risk" and mainly uses the following financial derivatives:

- Interest Rate Swaps (IRS), to modify the profile of the original exposure to interest rate risks on loans and bonds, both fixed and variable;
- Cross Currency and Interest Rate Swaps (CCIRS) and Currency Forwards, to convert loans and bonds issued in currencies other than euro – principally in US dollars and British pounds – to the functional currencies of the operating companies.

Derivative financial instruments are designated as fair value hedges for managing exchange rate and interest rate risks on instruments denominated in currencies other than euro and for managing interest rate risk on fixed-rate loans in euros. Derivative financial instruments are designated as cash flow hedges when the objective is to pre-set the exchange rate of future transactions and the interest rate.

All derivative financial instruments are entered into with banking and financial counterparties with at least a “BBB-” rating from Standard & Poor’s or an equivalent rating and a non-negative outlook. The exposure to the various market risks can be measured by sensitivity analyses, as set forth in IFRS 7. This analysis illustrates the effects produced by a given and assumed change in the levels of the relevant variables in the various reference markets (exchange rates, interest rates and prices) on finance income and expenses and, at times, directly on equity. The sensitivity analysis was performed based on the suppositions and assumptions indicated below:

- sensitivity analyses were performed by applying reasonably likely changes in the relevant risk variables to the amounts in the consolidated financial statements at December 31, 2023;
- changes in value of fixed-rate financial instruments, other than derivatives, produced by changes in the reference interest rates, generate an impact on profit only when, in accordance with IAS 39 and IFRS 9, they are accounted for at their fair value through profit and loss. All fixed-rate instruments, which are accounted for at amortized cost, are not subject to interest rate risk as defined by IFRS 7;

- in the case of fair value hedge relationships, fair value changes of the underlying hedged item and of the derivative instrument, due to changes in the reference interest rates, offset each other almost entirely in the income statement for the year. As a result, these financial instruments are not exposed to the interest rate risk;
- changes in the value of designated financial instruments in a cash flow hedge relationship, produced by changes in interest rates, generate an impact on the debt level and on equity; accordingly, they are included in this analysis;
- the changes in value, produced by changes in the reference interest rates, of variable-rate financial instruments, other than derivatives, which are not part of a cash flow hedge relationship, generate an impact on the finance income and expenses for the year; accordingly they are included in this analysis.

Exchange rate risk – Sensitivity analysis

At December 31, 2023 (and also at December 31, 2022), the exchange rate risk of the Group's loans denominated in currencies other than the functional currency of the single companies' financial statements was hedged in full. Accordingly, a sensitivity analysis was not performed on the exchange rate risk.

Interest rate risk – Sensitivity analysis

The change in interest rates on the variable component of payables and liquidity may lead to higher or lower finance income and expenses, while changes in the level of the expected interest rate affect the fair value measurement of the Group's derivatives. In particular:

- with regard to derivatives that convert the liabilities contracted by the Group to fixed rates (cash flow hedging), in line with international accounting standards that regulate hedge accounting, the fair value (mark-to-market) measurement of such instruments is set aside in a specific unavailable Equity reserve. The combined change of the numerous market variables to which the mark-to-market calculation is subject between the transaction inception date and the measurement date renders any assumption about the trend of the variables of little significance. As the contract expiration date approaches, the accounting effects described will gradually be absorbed until they cease to exist;
- if at December 31, 2023 the interest rates in the various markets in which the TIM Group operates had been 100 basis points higher/lower compared to the actual rates, then higher/(lower) finance expenses, before the income tax effect, would have been recognized in the consolidated income statement of 42 million euros (53 million euros at December 31, 2022).

Allocation of the financial structure between fixed rate and variable rate

As for the allocation of the financial structure between the fixed-rate component and the variable-rate component, for both financial assets and liabilities, reference should be made to the following tables. These tables have been prepared by taking into account the nominal repayment/investment amount (since that amount expresses the effective interest rate exposure of the Group) and, as far as financial assets are concerned, the intrinsic nature (financial characteristics and duration) of the transactions under consideration rather than the stated contractual terms alone. Bearing that in mind, a transaction whose characteristics (short or very short time frame and frequent renewal) are such that the interest rate is periodically reset on the basis of market parameters, even though the contract does not call for re-fixing the interest rate (as in the case of bank deposits), has been considered in the variable rate category.

Total Financial liabilities (at the nominal repayment amount)

(million euros)	12.31.2023			12.31.2022		
	Rate fixed	Rate variable	Total	Rate fixed	Rate variable	Total
Bonds	16,812	1,234	18,046	15,564	1,988	17,552
Loans and other financial liabilities	5,463	6,057	11,520	5,414	6,516	11,930
Total non-current financial liabilities (including the current portion of medium/long-term financial liabilities)	**22,275**	**7,291**	**29,566**	**20,978**	**8,504**	**29,482**
Total current financial liabilities	**1,123**	**254**	**1,377**	**689**	**420**	**1,109**
Total	**23,398**	**7,545**	**30,943**	**21,667**	**8,924**	**30,591**

Total Financial assets (at the nominal investment amount)

(million euros)	12.31.2023			12.31.2022		
	Rate fixed	Rate variable	Total	Rate fixed	Rate variable	Total
Cash and cash equivalents	—	2,294	2,294	—	2,621	2,621
Securities	1,515	1,044	2,559	1,520	908	2,428
Other receivables	1,365	9	1,374	1,085	63	1,148
Total	**2,880**	**3,347**	**6,227**	**2,605**	**3,592**	**6,197**

With regard to variable-rate financial instruments, the contracts provide for revisions of the related parameters to take place within the subsequent 12 months.

Effective interest rate

As to the effective interest rate, for the categories where that parameter can be determined, such parameter refers to the original transaction net of the effect of any derivative hedging instruments.

The disclosure, which is provided by class of financial asset and liability, has been determined, for purposes of calculating the weighted average, using the carrying amount adjusted by accruals, prepayments, deferrals and fair value adjustments: this is therefore the amortized cost, net of accruals and any changes in fair value, as a consequence of hedge accounting.

Total Financial Liabilities

(million euros)	12.31.2023		12.31.2022	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Bonds	18,019	5.68	17,504	4.67
Loans and other financial liabilities	13,467	5.62	13,530	4.78
Total	**31,486**	**5.65**	**31,034**	**4.72**

Total Financial assets

(million euros)	12.31.2023		12.31.2022	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Cash and cash equivalents	2,294	2.83	2,621	0.93
Securities	2,559	5.16	2,428	1.28
Other receivables	828	0.84	188	3.11
Total	**5,681**	**3.59**	**5,237**	**1.17**

As for financial assets, the weighted average effective interest rate is not essentially influenced by the existence of derivatives.

As for market risk management using derivatives, reference should be made to Note 19 "Derivatives".

Credit risk

Exposure to credit risk for the TIM Group consists of possible losses that could arise from the failure of either commercial or financial counterparties to fulfill their assumed obligations. To measure this risk over time for impairment of financial assets (trade receivables due from customers included), the introduction of IFRS 9 required switching from the incurred loss model pursuant to IAS 39 to the expected credit loss model.

Such exposure mainly stems from general economic and financial factors, the potential occurrence of specific insolvency situations of some borrowers and other more strictly technical-commercial or administrative factors.

TIM Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the financial assets and trade receivables recorded in the financial statements, excluding guarantees received, described in Note 25 "Disputes and pending legal actions, other information, commitments and guarantees".

Risk related to trade receivables is managed using customer scoring and analysis systems. For specific categories of trade receivables, the Group also makes use of factoring, mainly on a "non-recourse" basis.

Provision charges for bad debts are recorded for specific credit positions that have an element of individual risk. On credit positions that do not have such characteristics, provisions are raised by customer segment according to the average uncollectibility estimated on the basis of statistical indicators. Further details are provided in the Note "Trade and miscellaneous receivables and other current assets".

Financial assets other than trade receivables are written down for impairment on the basis of a general model which recognizes expected credit losses over the following 12 months, or over the residual life of the asset in the event of a substantial worsening of its credit risk. The expected credit loss is calculated based on the default probability and the percentage of credit that cannot be recovered in the event of a default (the loss given default).

The model adopted to calculate the expected credit loss is based on the Bloomberg Credit Risk Model, a model developed by Bloomberg which, starting from Merton's distance-to-default ("DD") concept, estimates the probability of default together with the recovery rate. At the same time, the loss given default is defined as the non-recoverable component of the post-default financial asset.

In particular, the DD - based on balance sheet data - is enriched with a series of additional information by country (macroeconomic, risk), business sector and individual company, as well as accounting adjustments aimed at ensuring uniformity of the model's outputs; finally, through a non-linear function of the DD, the default probability is obtained.

In order to improve credit risk management and relieve pressure on working capital, with specific reference to the offers for the Consumer and Small Business market involving the option of paying for products by installments, starting 2021, the company TIMFin has been operating, the result of the corporate joint venture between Santander Consumer Bank (SCB) and TIM.

Moreover, as regards credit risk relating to the asset components which contribute to the determination of "Net financial debt", it should be noted that the management of the Group's liquidity is guided by conservative criteria and is principally based on the following:

- Money market management: the investment of temporary excess cash resources;
- Bond portfolio management: the investment of medium-term liquidity, as well as the improvement of the average yield of the assets.

In order to mitigate the risk of the non-fulfillment of the obligations undertaken by the counterparty, deposits of the European companies are made with leading banking and financial institutions rated no lower than investment grade and with a non-negative outlook, and investments by the companies in South America are made with leading local counterparties. Moreover, deposits are made generally for periods of less than three months. With regard to other temporary investments of liquidity, there is a bond portfolio in which the investments have a low risk level. All investments have been carried out in compliance with the Group Guidelines on "Management and control of financial risk".

In order to minimize credit risk, the Group also pursues a diversification policy for its investments of liquidity and allocation of its credit positions among different banking counterparties. Consequently, there are no significant positions with any one single counterparty.

Liquidity risk

The Group pursues the objective of achieving an "adequate level of financial flexibility", which is expressed by maintaining a current treasury margin to cover the refinancing requirements at least for the next 12 months with irrevocable bank lines and liquidity.

At December 31, 2023, the liquidity margin available for the TIM Group is 8,695 million euros, with a decrease of 306 million euros with respect to end 2022 (9,001 million euros).

19% of gross financial debt at December 31, 2023 (nominal repayment amount) will become due in the next 12 months.

Current financial assets at December 31, 2023, together with unused committed bank lines, are sufficient to fully cover the Group’s financial liabilities due for the next 24 months.

The following tables report the contractual cash flows, not discounted to present value, relating to gross financial debt at nominal repayment amounts and the interest flows, determined using the terms and the interest and exchange rates in place at December 31, 2023. The portions of principal and interest of the hedged liabilities includes both the disbursements and the receipts of the related hedging instruments. Specifically, the interest portions of "Loans and other financial liabilities" also include those relating to derivatives hedging for both loans and bonds.

Financial liabilities – Maturities of contractually expected disbursements

(million euros)		maturing by 12/31 of the year: 2024	2025	2026	2027	2028	After 2028	Total
Bonds	Principal	2,867	2,220	1,970	1,470	3,214	6,305	18,046
	Interest portion	953	830	741	649	545	3,159	6,877
Loans and other financial liabilities (*)	Principal	982	1,080	1,588	423	2,040	(87)	6,026
	Interest portion	200	135	65	(19)	(43)	(440)	(102)
Finance lease liabilities	Principal	751	612	578	537	471	2,545	5,494
	Interest portion	374	334	293	249	210	724	2,184
Non-current financial liabilities	**Principal**	**4,600**	**3,912**	**4,136**	**2,430**	**5,725**	**8,763**	**29,566**
	Interest portion	**1,527**	**1,299**	**1,099**	**879**	**712**	**3,443**	**8,959**
Current financial liabilities	**Principal**	**1,377**	**—**	**—**	**—**	**—**	**—**	**1,377**
	Interest portion	**44**	**—**	**—**	**—**	**—**	**—**	**44**
Total	**Principal**	**5,977**	**3,912**	**4,136**	**2,430**	**5,725**	**8,763**	**30,943**
	Interest portion	**1,571**	**1,299**	**1,099**	**879**	**712**	**3,443**	**9,003**

(*) These include hedging and non-hedging derivatives.

Derivatives on financial liabilities – Contractually expected interest flows

(million euros)	maturing by 12/31 of the year: 2024	2025	2026	2027	2028	After 2028	Total
Disbursements	342	309	308	308	289	1,471	3,027
Receipts	(409)	(370)	(369)	(369)	(354)	(1,978)	(3,849)
Hedging derivatives – net (receipts) disbursements	**(67)**	**(61)**	**(61)**	**(61)**	**(65)**	**(507)**	**(822)**
Disbursements	188	62	152	141	121	35	699
Receipts	(142)	(42)	(151)	(146)	(133)	(32)	(646)
Non-Hedging derivatives – net (receipts) disbursements	**46**	**20**	**1**	**(5)**	**(12)**	**3**	**53**
Total net disbursements (receipts)	**(21)**	**(41)**	**(60)**	**(66)**	**(77)**	**(504)**	**(769)**

Market value of derivative instruments

In order to determine the fair value of derivatives, the TIM Group uses various valuation models.

The mark-to-market calculation is determined by the present value discounting of the interest and notional future contractual flows using market interest rates and exchange rates.

The notional amount of IRS does not represent the amount exchanged between the parties and, therefore, is not a measurement of credit risk exposure, which, instead, is limited to the amount of the difference between the interest rates paid/received.

The market value of CCIRSs, on the other hand, also depends on the differential between the reference exchange rate at the date of signing the contract and the exchange rate at the date of measurement, since CCIRSs involve the exchange of the reference interest and principal, in the respective denomination currencies.

The options are measured according to the Black & Scholes or Binomial models and involve the use of various measurements factors, such as: the lifetime horizon of the option, the risk-free rate of return, current price, volatility and any cash flows (e.g. dividend) of the underlying financial instrument, and the exercise price.

NOTE 19
DERIVATIVES

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

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

Derivative financial instruments existing at December 31, 2023 are principally used to manage debt positions. They include interest rate swaps (IRSs) used to reduce the interest rate exposure of fixed-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), currency forwards and foreign exchange options to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.

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

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

Hedges: economic relationship between underlying instrument and derivatives

Hedging relationships recorded in hedge accounting at 12/31/2023 belong to a single item: hedging of cash flows from income flows of bond issues.

The hedged risk is represented by the variability in cash flows (and the repayment of the nominal amount) generated by exchange rates; hedging comprises combinations of IRS and CCIRS that synthetically transform fixed rate foreign currency income flows into fixed rate euro flows. In this case, exchange rate fluctuations will usually produce contrary effects on the underlying asset and on the derivative, as the asset leg of the latter faithfully reflects the underlying asset, while the liability leg is denominated in euro and is therefore insensitive to the exchange rate.

Hedges: determination of the hedge ratio

The types of hedging implemented by the Group require the adoption of a hedge ratio equal to 1:1, as the types of risk hedged (interest rate and exchange rate risks) are such as to generate economic effects in the underlying instruments that can only be offset by the same notional quantities of derivative instruments.

Hedges: potential sources of ineffectiveness

The contractualization of derivatives to hedge financial risks takes place at arm's length and aims to completely neutralize the effects produced by such instruments.

However, in practice, hedges (although financially perfect) may not guarantee an absolute accounting effectiveness due to the many counterparty banks involved, to the peculiar nature of certain derivatives in terms, for example, of fixing and/or indexing of variable parameters, and to the possible imperfect coincidence between critical terms.

The first table indicates total financial derivatives of the TIM Group at December 31, 2023 and 2022; in compliance with standard IFRS 7, notional amounts are shown with reference to all the derivative instruments involved in the hedges.

The following tables break down financial derivatives by type of risk for each kind of hedging, separating financial assets and liabilities. For CCIRS, the notional amount refers to the contractual value in euros, for IRS in a currency other than the euro, the value is indicated at the market exchange rate.

Type (million euros)	Hedged risk	Notional amount at 12/31/2023	Notional amount at 12/31/2022	Mark to Market Spot* (Clean Price) at 12.31.2023	Mark to Market Spot* (Clean Price) at 12/31/2022
Interest rate swaps	Interest rate risk		300	—	—
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	—	—	—	—
Total Fair Value Hedge Derivatives		**—**	**300**	**—**	**—**
Interest rate swaps	Interest rate risk	4,474	4,994	130	249
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	4,841	5,184	417	770
Total Cash Flow Hedge Derivatives		**9,315**	**10,178**	**547**	**1,019**
Total Non-Hedge Accounting Derivatives		**1,205**	**2,638**	**44**	**23**
Total TIM Group's Derivatives		**10,520**	**13,116**	**591**	**1,042**

* Spot Mark-to-market above represents the market measurement of the derivative net of the accrued portion of the flow in progress.

The positions in non-hedge accounting derivatives also include IRS Euros for a total notional amount of 1,400 million euros; specifically, these are fair value hedges of bond loans in euros, maturing in January 2024 and which were discontinued in 2021.

In the same item the following are also noted:

- the value - equal to a fair value of 15 million euros (liabilities) - of the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Sarl, as minority shareholder, under the scope of the FiberCop transaction;
- the value of the right held by TIM Brasil to subscribe shares of the Brazilian C6 Bank - of 94 million euros - on the basis of a commercial agreement signed by the two companies in March 2020.

Fair value hedges (million euros)	**Accounting item**		**Notional value**	**Carrying amount**	**Change in fair value for the**
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)		—	
Assets				—	
Liabilities				–	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	–	–	–
Assets				–	
Liabilities				–	
Derivative instruments (spot value)		a)+b)		—	
Accruals					
Derivative instruments (gross value)					
Underlying instruments (1)	Bonds - Current/non-current liabilities				
of which fair value adjustment	Fair value adjustment and measurements at amortized cost	c)		—	
Ineffectiveness		a)+b)+c)			
Fair value adjustment for hedging settled in advance [(2)]				(55)	

(1) Includes the amortized cost value of bonds currently hedged plus the fair value adjustment.
(2) Referred to bonds no longer hedged, which are therefore not presented in the table.

Cash flow hedges (million euros)	Accounting item		Notional value	Carrying amount	Change in fair value for the year	Change in cumulative fair value
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)	**4,474**	**130**	**(119)**	
Assets				389	(14)	
Liabilities				(259)	(105)	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	**4,841**	**417**	**(353)**	
Assets				600	(381)	
Liabilities				(183)	28	
Derivative instruments (spot value)		a)+b)	**9,315**	**547**	**(472)**	
Accruals				74		
Derivative instruments (gross value)				**621**		
of which equity reserve gains and losses					(191)	
Determination of ineffectiveness						
Change in derivatives		c)				162
Change in underlying instruments [3]		d)				(158)
Ineffectiveness [4]	Positive fair value adjustment of financial derivatives - non-hedging	c)+d)				7
Equity reserve						
Equity reserve balance				(96)		
of which due to the fair value of hedging settled in advance					—	
Reclassification to P&L	Negative reversal of the reserve for the fair value adjustment of hedging derivatives (cash flow hedges)				3	

(3) Hypothetical derivatives used in measuring the effectiveness of cash flow hedges.
(4) The ineffectiveness, due to its nature and calculation, does not necessarily coincide with the difference in cumulative changes in the fair value of derivatives and the underlying instrument; the effect due to the adoption of CVA/DVA is not considered.

The change in the equity reserve attributable to the effective hedging component is equal to -190 million euros.

Changes in the equity cash flow hedge reserve (million euros)	Balance 12/31/2022	Change				Balance 12/31/2023
		Hedging instrument gains / losses	Reversal from reclassification	Reversal from fair value adjustment of hedging settled in advance	Total change	
	87					(103)
Change in the effective fair value of derivatives		(199)				
Change in the CVA/DVA		1				
Reversal for ineffectiveness 2019			3			
Amortization in P&L of the fair value of hedging settled in advance				5		
Overall change					**(190)**	

None of the parameters represented includes any income tax effect.

The transactions hedged by cash flow hedges will generate cash flows and produce economic effects in the income statement in the periods indicated in the following table:

Denomination currency	**Notional amount in denomination currency** (millions)	**Start of period**	**End of period**	**Rate applied**	**Interest period**	**Hedging of notional amount in euro**	**Hedging of rate in euro**
JPY*	20,000	Jan-24	Oct-29	5.000%	Semiannuall	174	5.940%
JPY**	20,000	Jan-24	Oct-29	0.750%	Semiannuall	138	0.696%
USD	1,000	Jan-24	Nov-33	6.375%	Semiannuall	849	5.994%
USD	1,500	Jan-24	May-24	5.303%	Semiannuall	1,321	4.180%
USD	1,000	Jan-24	Sept-34	6.000%	Semiannuall	794	4.332%
USD	1,000	Jan-24	July-36	7.200%	Semiannuall	791	5.884%
USD	1,000	Jan-24	Jun-38	7.721%	Semiannuall	645	7.451%

* Income cash flows are denominated in USD and calculated on a notional amount of USD 187.6 million.
** Hedging of the sole income cash flow following a step-up on the loan.

For hedge accounting purposes, the Volatility Risk Reduction (VRR) Test was chosen to test the retrospective and prospective effectiveness of all hedges. This test assesses the ratio between the portfolio risk (meaning the derivative and the item hedged) and the risk of the hedged item taken individually. In essence, the portfolio risk must be significantly lower than the risk of the hedged item.

NOTE 20

SUPPLEMENTARY DISCLOSURES ON FINANCIAL INSTRUMENTS

Measurement at fair value

For the purposes of the comparative information between the carrying amounts and fair value of financial instruments, required by IFRS 7, the majority of the non-current financial liabilities of the TIM Group consist of bonds, whose fair value is directly observable in the financial markets, as they are financial instruments that due to their size and diffusion among investors, are commonly traded on the relevant markets (see the Note "Non-current and current financial liabilities"). For other types of financing, however, the following assumptions have been made in determining fair value:

- for variable-rate loans, the nominal repayment amount has been assumed; for fixed-rate loans:
- for fixed-rate loans, the present value of future cash flows at the market interest rates of December 31, 2023 has been assumed;
- the carrying amount has been used for some types of loans granted by government institutions for social development purposes, for which fair value cannot be reliably calculated.

Lastly, for the majority of financial assets, their carrying amount is a reasonable approximation of their fair value, since these are short-term investments that are readily convertible into cash.

The fair value measurement of the financial instruments of the Group has been classified in the three levels set out in IFRS 7.In particular, the fair value hierarchy introduces the following levels of input:

- Level 1: quoted prices in active markets;
- Level 2: prices calculated using observable market inputs;
- Level 3: prices calculated using inputs that are not based on observable market data.

The following tables contain, for assets and liabilities at December 31, 2023 and December 31, 2022 and in accordance with the categories established by IFRS 9, the supplementary disclosures on financial instruments required by IFRS 7 and the schedules of gains and losses. They do not include Discontinued operations/Non-current assets held for sale and Liabilities directly associated with Discontinued operations/Non-current assets held for sale.

Key for IFRS 9 categories

	Acronym
Financial assets measured at:	
Amortized cost	**AC**
Fair Value Through Other Comprehensive Income	**FVTOCI**
Fair Value Through Profit or Loss	**FVTPL**
Financial liabilities measured at:	
Amortized cost	**AC**
Fair Value Through Profit or Loss	**FVTPL**
Hedge Derivatives	**HD**
Not applicable	**n.a.**

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2023

(million euros)	IFRS 9 categories	notes	Carrying amount in financial statements at 12/31/2023	Amounts recognized in financial statements			Levels of hierarchy of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2023
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
ASSETS											
Financial assets measured at amortized cost	AC		**6,656**	**6,656**	**—**	**—**					**6,656**
Non-current assets											
Receivables from employees		(10)	*31*	*31*							
Other financial receivables		(10)	*9*	*9*							
Miscellaneous non-current receivables		(11)	*154*	*154*							
Current assets											
Receivables from employees		(10)	*24*	*24*							
Other short-term financial receivables		(10)	*491*	*491*							
Cash and cash equivalents		(10)	*2,912*	*2,912*							
Trade receivables		(14)	*2,907*	*2,907*							
Other current receivables		(14)	*60*	*60*							
Contract assets		(14)	*68*	*68*							
Financial assets measured at fair value through other comprehensive income	FVTOCI		**1,616**	**—**	**1,616**	**—**					**1,616**
Non-current assets											
Other investments		(9)	*100*		*100*		*36*	*23*	*41*		
Securities other than investments		(10)	*—*		*—*		*—*				
Current assets											
Trade receivables		(14)			*—*						
Securities other than investments		(10)	*1,516*		*1,516*		*1,516*				
Financial assets measured at fair value through profit or loss	FVTPL		**558**	**—**	**—**	**558**					**558**
Non-current assets											
Other investments		(9)	*40*			*40*	*10*	*30*			
Non-hedging derivatives		(10)	*95*			*95*		*95*	*—*		
Current assets											
Securities other than investments		(10)	*366*			*366*	*366*				
Non-hedging derivatives		(10)	*57*			*57*		*57*			
Hedge Derivatives	HD		**1,085**	**—**	**1,085**	**—**					**1,085**
Non-current assets											
Hedge Derivatives		(10)	*968*		*968*	*—*		*968*	*—*		
Current assets											
Hedge Derivatives		(10)	*117*		*117*	*—*		*117*	*—*		
Financial receivables for lease contracts	n.a.		**274**							**274**	**274**
Non-current assets		(10)	*112*							*112*	
Current assets		(10)	*162*							*162*	
Total			**10,189**	**6,656**	**2,701**	**558**	**1,928**	**1,290**	**41**	**274**	**10,189**

The financial instruments belonging to hierarchy level 3 of fair value are represented by the following Other investments recognized as Non-current assets, for which directly or indirectly observable prices on the market are not available:

- Northgate CommsTech Innovations Partners L.P.;
- UV T-Growth;
- Other minor companies.

Northgate CommsTech Innovations Partners L.P. and UV-T Growth was measured based on the latest available Net Asset Values reported by the fund managers.

The other minor companies were measured on the basis of an analysis, deemed reliable, of their main assets and liabilities.

The profit/(loss) recognized in Other components of the Consolidated Statements of Comprehensive Income were recognized within the scope of the Reserve for financial assets measured at fair value through other comprehensive income.

(million euros)	IFRS 9 categories	notes	Carrying amount in financial statements at 12/31/2023	Amounts recognized in financial statements			Levels of hierarchy of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2023
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
LIABILITIES											
Financial liabilities measured at amortized cost	AC/HD		**32,173**	**32,173**							**32,192**
Non-current liabilities											
Medium and long-term financial payables and other liabilities		(16)	*20,872*	*20,872*							
Current liabilities											
Short-term financial payables and other liabilities		(16)	*5,654*	*5,654*							
Trade and miscellaneous payables and other current liabilities		(24)	*5,542*	*5,542*							
Contract liabilities		(24)	*105*	*105*							
Financial liabilities measured at fair value through profit or loss	FVTPL		**66**			**66**					**66**
Non-current liabilities											
Non-hedging derivatives		(16)	*15*			*15*		—	*15*		
Current liabilities											
Non-hedging derivatives		(16)	*51*			*51*		*51*	—		
Hedge Derivatives	HD		**463**		**463**	**—**					**463**
Non-current liabilities											
Hedge Derivatives		(16)	*397*		*397*	—		*397*	—		
Current liabilities											
Hedge Derivatives		(16)	*66*		*66*	—		*66*	—		
Finance lease liabilities	n.a.		**5,581**							**5,581**	**5,693**
Non-current liabilities		(16)	*4,743*							*4,743*	
Current liabilities		(16)	*838*							*838*	
Total			**38,283**	**32,173**	**463**	**66**	**—**	**514**	**15**	**5,581**	**38,414**

Note that financial liabilities include a financial instrument for an amount of 15 million euros, belonging to hierarchy level 3 of fair value, for which directly or indirectly observable prices on the market are not available. This financial liability refers to the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Sarl, as minority shareholder, under the scope of the FiberCop transaction.

The measurement of the economic value of the financial liability has been taken using a valuation model defined internally by TIM. Through an econometric approach, the correlation has been first estimated between the targets set at a national level and a series of macro economic and social-demographic variables. Then taking into account the uncertainty as to how these variables will evolve and the market share of FiberCop, through Monte Carlo simulation, a series of possible developments of the phenomenon was calculated and the expected value of the financial liability, determined.

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2022

(million euros)	IFRS 9 categories	notes	Carrying amount in financial statements at 12/31/2022	Amounts recognized in financial statements			Levels of hierarchy of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2022
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
ASSETS											
Financial assets measured at amortized cost	AC		**6,888**	**6,888**	**—**	**—**					**6,888**
Non-current assets											
Receivables from employees		(10)	*39*	*39*							
Other financial receivables		(10)	*9*	*9*							
Miscellaneous non-current receivables		(11)	*275*	*275*							
Current assets											
Receivables from employees		(10)	*21*	*21*							
Other short-term financial receivables		(10)	*2*	*2*							
Cash and cash equivalents		(10)	*3,555*	*3,555*							
Trade receivables		(14)	*2,874*	*2,874*							
Other current receivables		(14)	*96*	*96*							
Contract assets		(14)	*17*	*17*							
Financial assets measured at fair value through other comprehensive income	FVTOCI		**1,156**	**—**	**1,156**	**—**					**1,156**
Non-current assets											
Other investments		(9)	*116*		*116*		*56*	*20*	*40*		
Securities other than investments		(10)	—		—		—				
Current assets											
Trade receivables		(14)			—						
Securities other than investments		(10)	*1,040*		*1,040*		*1,040*				
Financial assets measured at fair value through profit or loss	FVTPL		**572**	**—**	**—**	**572**					**572**
Non-current assets											
Non-hedging derivatives		(10)	*119*			*119*		*119*	—		
Current assets											
Securities other than investments		(10)	*406*			*406*	*406*				
Non-hedging derivatives		(10)	*47*			*47*		*47*			
Hedge Derivatives	HD		**1,519**	**—**	**1,518**	**1**					**1,519**
Non-current assets											
Hedge Derivatives		(10)	*1,435*		*1,435*	—		*1,435*	—		
Current assets											
Hedge Derivatives		(10)	*84*		*83*	*1*		*84*	—		
Financial receivables for lease contracts	n.a.		**118**							**118**	**118**
Non-current assets		(10)	*49*							*49*	
Current assets		(10)	*69*							*69*	
Total			**10,253**	**6,888**	**2,674**	**573**	**1,502**	**1,705**	**40**	**118**	**10,253**

(million euros)	IFRS 9 categories	notes	Carrying amount in financial statements at 12/31/2022	Amounts recognized in financial statements			Levels of hierarchy of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2022
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
LIABILITIES											
Financial liabilities measured at amortized cost	AC/HD		**31,939**	**31,939**							**29,975**
Non-current liabilities											
Financial payables (medium/long-term)		(16)	*21,462*	*21,462*							—
Current liabilities											
Financial payables (short-term)		(16)	*4,760*	*4,760*							—
Trade and miscellaneous payables and other current liabilities		(24)	*5,584*	*5,584*							
Contract liabilities		(24)	*133*	*133*							
Financial liabilities measured at fair value through profit or loss	FVTPL		**129**			**129**					**129**
Non-current liabilities											
Non-hedging derivatives		(16)	*43*			*43*		*28*	*15*		
Current liabilities											
Non-hedging derivatives		(16)	*86*			*86*		*86*	—		
Hedge Derivatives	HD		**427**		**427**	**—**					**427**
Non-current liabilities											
Hedge Derivatives		(16)	*234*		*234*	—		*234*	—		
Current liabilities											
Hedge Derivatives		(16)	*193*		*193*	—		*193*	—		
Finance lease liabilities	n.a.		**5,467**							**5,467**	**5,404**
Non-current liabilities		(16)	*4,597*							*4,597*	
Current liabilities		(16)	*870*							*870*	
Total			**37,962**	**31,939**	**427**	**129**	**—**	**541**	**15**	**5,467**	**35,935**

Gains and losses by IAS 9 category - Year 2023

(million euros)	Categories IFRS9	Net gains/(losses) 2023	of which interest
Assets measured at amortized cost	AC	(197)	117
Assets and liabilities measured at fair value through profit or loss	FVTPL	(55)	
Assets measured at fair value through other comprehensive income	FVTOCI	—	
Liabilities measured at amortized cost	AC	(1,366)	1,307
Total		**(1,618)**	**1,424**

Gains and losses by IAS 9 category - Year 2022

(million euros)	IFRS 9 categories	Net gains/(losses) 2022	of which interest
Assets measured at amortized cost	AC	(181)	106
Assets and liabilities measured at fair value through profit or loss	FVTPL	(141)	
Assets measured at fair value through other comprehensive income	FVTOCI	2	
Liabilities measured at amortized cost	AC	(1,056)	940
Total		**(1,376)**	**1,046**

NOTE 21
EMPLOYEE BENEFITS

These decreased by 277 million euros compared to December 31, 2022. The breakdown is as follows:

(million euros)		12.31.2021	Increases/ Present value	Decrease	Exchange differences and other changes	12.31.2022
Provision for employee severance	**(a)**	**678**	**(61)**	**(64)**		**553**
Provisions for pension plans		21	(3)	(2)		16
Provision for termination benefit incentives and corporate restructuring		—	224		(1)	223
Total other employee benefits	**(b)**	**21**	**221**	**(2)**	**(1)**	**239**
Total	**(a+b)**	**699**	**160**	**(66)**	**(1)**	**792**
of which:						
non-current portion		699				684
current portion (*)		—				108

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

(million euros)		12.31.2022	Increases/ Present value	Decrease	Exchange differences and other changes	12.31.2023
Provision for employee severance	**(a)**	**553**	**25**	**(81)**	**(1)**	**496**
Provision for pension and other plans		16	1	(2)	—	15
Provision for termination benefit incentives and corporate restructuring		223	14	(213)	(20)	4
Total other employee benefits	**(b)**	**239**	**15**	**(215)**	**(20)**	**19**
Total	**(a+b)**	**792**	**40**	**(296)**	**(21)**	**515**
of which:						
non-current portion		684				511
current portion (*)		108				4

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

The **Provision for employee severance indemnities** refers to only Italian companies and was down 57 million euros. The decreases of 81 million euros relate to indemnities paid during the year to employees who terminated employment or for advances.

The changes recorded in “Increases/Present value” are as follows:

(million euros)	2023	2022
(Positive)/negative effect of curtailment	—	—
Current service cost (*)	—	—
Finance expenses	17	12
Net actuarial (gains) losses for the year	8	(73)
Total	**25**	**(61)**
Effective return on plan assets	there are no assets servicing the plan	

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

The net actuarial losses recognized at December 31, 2023 amounted to 8 million euros (net actuarial gains of 73 million euros in 2022), and are essentially connected with both staff turnover and changes to the technical-economic parameters used in the valuation: the inflation rate forecast went from 2.30% at December 31, 2022 to 2.00% at December 31, 2023; the discount rate decreased, going from the 3.63% used at December 31, 2022 to 3.08% at December 31, 2023.

According to Italian law, the severance indemnity to which each employee is entitled depends on the period of service and must be paid when the employee leaves the company. The severance indemnity due upon termination of employment is calculated on the basis of the period of employment and the taxable compensation of each employee. This liability is adjusted annually based on the official cost-of-living index and legally-set interest. The liability is not associated with any vesting condition or period or any funding obligation; accordingly, there are no assets servicing the provision. The liability is recognized net of the partial prepayments of the provision and payments of the amounts obtained by employees for the reasons permitted by the applicable regulations.

Under the regulations introduced by Italian Legislative Decree 252/2005 and Law no. 296/2006 with which, for companies with at least 50 employees, the severance indemnities accruing from 2007 are assigned, as elected

by the employees, to either the INPS Treasury Fund or to supplementary pension funds and take the form of a "defined contribution plan".

However, for all companies, the revaluations of the amounts in the provision for employee severance indemnities existing at the election date, and also the amounts accrued and not assigned to supplementary pension plans for companies with less than 50 employees, are retained in the provision for employee severance indemnities. In accordance with IAS 19, the provision has been recognized as a "defined benefit plan".

In application of IAS 19, employee severance indemnities have been calculated using the "Projected Unit Credit Method" as follows:

- the future possible benefits which could be paid to each employee registered in the program in the event of retirement, death, disability, resignation etc. have been projected on the basis of a series of financial assumptions (cost-of-living increases, interest rate, increase in compensation etc.). The estimate of future benefits includes any increases for additional service seniority, as well as the estimated increase in the compensation level at the measurement date – only for employees of companies with less than 50 employees during the year 2006;
- the average present value of future benefits has been calculated, at the measurement date, on the basis of the annual interest rate adopted and of the probability that each benefit actually has to be paid;
- the liability of each company concerned has been calculated as the average present value of future benefits that will be generated by the existing provision at the measurement date, without considering any future accruals (for companies with at least 50 employees during the year 2006) or by identifying the amount of the average present value of future benefits which refer to the past service already accrued by the employee in the company at the measurement date (for the others), i.e. adopting the "service pro-rate".

The following assumptions have been made:

FINANCIAL ASSUMPTIONS	Executives	Non-executives
Inflation rate	**2.00% per annum**	**2.00% per annum**
Discount rate	**3.08% per annum**	**3.08% per annum**
Employee severance indemnities annual increase rate	**3.0% per annum**	**3.0% per annum**
Annual real wage growth:		
equal to or less than 40 years of age	1.0% per annum	1.0% per annum
over 40 but equal to or less than 55 years of age	0.5% per annum	0.5% per annum
over 55 years of age	0.0% per annum	0.0% per annum

DEMOGRAPHIC ASSUMPTIONS	Executives	Non-executives
Probability of death	Mortality tables RG48 published by Ragioneria Generale dello Stato	Mortality tables RG48 published by Ragioneria Generale dello Stato
Probability of disability	INPS tables divided by age and sex	INPS tables divided by age and sex
Probability of resignation:		
up to 40 years of age	2.00%	1.00%
from 41 to 50 years of age	2.00%	0.50%
from 51 to 59 years of age	1.00%	0.50%
from 60 to 64 years of age	None	0.50%
aged 65 and over	None	None
Probability of retirement	100% on achievement of the AGO requirements aligned with D.L. 4/2019	
Probability of receiving at the beginning of the year an advance from the provision for severance indemnities accrued equal to 70%	1.5% per annum	1.5% per annum

The application of the above assumptions resulted in a liability for employee severance indemnities of 496 million euros at December 31, 2023 (553 million euros at December 31, 2022).

Reported below is a sensitivity analysis for each significant actuarial assumption adopted to calculate the liability as at year end, showing how the liability would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, stated in amounts.

The weighted average duration of the obligation of the Parent amounted to 8.3 years.

CHANGES IN ASSUMPTIONS	**Amounts** (million euros)
Turnover rate:	
+0.25 p.p.	—
-0.25 p.p.	—
Annual inflation rate:	
+0.25 p.p.	(15)
-0.25 p.p.	14
Annual discount rate:	
+0.25 p.p.	19
-0.25 p.p.	(20)

The **Provision for pension and other plans** amounted to 15 million euros at December 31, 2023 (16 million euros at December 31, 2022) and mainly represented pension plans in place at foreign companies of the Group.

Provisions for termination benefit incentives and corporate restructuring amounted to 4 million euros at December 31, 2023, decreasing in 2023 by 219 million euros, mainly due to staff departures and the reclassification to debt of amounts not yet paid in relation to plans already set aside in previous years by Italian companies in the Domestic Business Unit.

NOTE 22 PROVISIONS

A decrease of 69 million euros compared to December 31, 2022. The figure breaks down as follows:

(million euros)	**12.31.2022**	Increase	Taken to income	Used directly	Exchange differences and other changes	**12.31.2023**
Provision for taxation and tax risks	**89**	18		(3)	25	**129**
Provision for restoration costs	**334**	30	(1)	(11)	(42)	**310**
Provision for legal disputes	**444**	92		(76)	12	**472**
Provision for commercial risks	**362**	57	4	(174)	2	**251**
Provision for risks and charges on investments and corporate-related transactions	**11**	—	—		—	**11**
Other provisions	**14**	1		(3)	—	**12**
Total	**1,254**	**198**	**3**	**(267)**	**(3)**	**1,185**
of which:						
non-current portion	**910**					**679**
current portion	**344**					**506**

The non-current portion of provisions for risks and charges mainly relates to some of the provision for commercial risks, the provision for legal disputes and the provision for restoration costs. More specifically, in accordance with accounting policies, the total amount of the provision for restoration costs is calculated by re-measuring the amounts for which a probable outlay is envisaged, based on the estimated inflation rates for the individual due dates, and subsequently discounted to the reporting date based on the average cost of debt, taking into account expected cash outflows.

The **provision for taxation and tax risks** increased by 40 million euros compared to December 31, 2022.

The **provision for restoration costs** related to the provision for restoration of leased real estate and sites used for mobile telephony and the dismantling of tangible assets (in particular: batteries, wooden poles); it is mainly attributable to the Parent Company TIM S.p.A. (158 million euros), the FiberCop company (127 million euros) and the Brazil Business Unit (24 million euros).

The **provision for legal disputes** included the provision for litigation with other counterparties and employees. The amount at December 31, 2023 included 333 million euros for the Domestic Business Unit and 139 million euros for the Brazil Business Unit.

The **provision for commercial risks** relates to the Domestic Business Unit and mainly the Parent Company TIM S.p.A.. In 2023, it decreased by 111 million euros, mainly in relation to the performance of the provision for contractual risks for onerous contracts (IAS 37) of the Parent Company TIM S.p.A., relating to contracts with certain counterparties for offer of multimedia content and for a connectivity agreement and representative of the net present value of the negative margin connected with these partnerships.

In particular, during the year 2023, the provision for contractual risks for onerous contracts of TIM S.p.A. decreased by 70 million euros mainly as a result of a utilisation of 98 million euros of the provisions for risks recognised in the years 2021 and 2022 only partially offset by the update, made in the year 2023, of the provision for risks related to an existing long-term relationship.

The **provision for risks and charges on investments and corporate-related transactions** is unchanged from December 31, 2022.

Other provisions for risks and charges come to 12 million euros and are essentially attributable to the Domestic Business Unit.

NOTE 23

MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item rose by 180 million euros compared to December 31, 2022. The figure breaks down as follows:

(million euros)		12.31.2023	12.31.2022
Miscellaneous payables (non-current)			
Payables to social security agencies		595	400
Income tax payables (*)		—	—
Other payables		24	58
	(a)	**619**	**458**
Other non-current liabilities			
Deferred revenues from customer contracts (Contract liabilities)		103	87
Other deferred revenue and income		329	354
Capital grants		275	247
	(b)	**707**	**688**
Total	(a+b)	**1,326**	**1,146**

(*) Analyzed in the Note "Income tax expense".

Miscellaneous payables (non-current) include:

- **payables to social security agencies** amounting to 595 million euros, mainly relating to the non-current debt position with INPS for the application of the agreements signed with the trade unions relating to the application of Article 4 of Law no. 92 of June 28, 2012 and former Art. 41, subsection 5bis of Italian Legislative Decree no. 148/2015 (for further details see the Note "Employee benefits expenses"). This debt position (non-current and current portion) is as follows:

(million euros)	12.31.2023	12.31.2022
Non-current payables		
Due from 2 to 5 years after the end of the reporting period	538	385
Due beyond 5 years after the end of the reporting period	57	15
	595	**400**
Current payables	**290**	**244**
Total	**885**	**644**

- **other payables** equal to 24 million euros at December 31, 2023 referring mainly to the Brazil Business Unit.

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

- **Deferred revenues from contracts with customers (contract liabilities)** of 103 million euros (87 million euros at December 31, 2022) which are reversed to the income statement according to the duration of the contractual obligations between the parties, averaging 24 months; therefore, the balance as at December 31, 2023 will be reversed to the income statement generally by 2025. In particular, the item includes:
  - TIM S.p.A. deferred revenues for subscription charges and rent and maintenance payments (52 million euros);
  - TIM S.p.A. deferred revenues for network access subscription charges (19 million euros);
  - Deferred revenues of TIM S.p.A. for outsourcing charges (18 million euros);
  - deferred revenues from activation and installation fees for new contracts with TIM S.p.A. customers. (3 million euros): in this regard, it is noted that under IFRS 15 activation/installment revenues are allocated to other contract obligations and recognized throughout the period of performance of the contract, as they do not relate to separate performance obligations.
- **Other deferred revenue and income** totaling 329 million euros; the item consisted of the non-current portion (approx. 107 million euros) of the deferred gain on the sale and lease-back of telecommunication towers by the Brazil Business Unit; this item also includes deferred revenues related to agreements for the sale of the transmission capacity.
- **Capital grants** of 275 million euros: the item represents the component still to be released to the income statement based on the remaining useful life (estimated at around 18 years) of the assets that the grants refer to and is mainly connected to the realization of the infrastructures on the Ultrabroadband-UBB and Broadband-BB projects.

NOTE 24

TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

This item rose by 1,185 million euros compared to December 31, 2022. The figure breaks down as follows:

(million euros)		12.31.2023	*of which Financial Instruments*	12.31.2022	*of which Financial Instruments*
Trade payables					
Payables due to suppliers		5,042	*5,042*	4,943	*4,943*
Payables to other telecommunications operators		399	*399*	352	*352*
	(a)	**5,441**	***5,441***	**5,295**	***5,295***
Tax payables	**(b)**	**194**		**216**	
Miscellaneous payables					
Payables for employee compensation		323		247	
Payables to social security agencies		415		353	
Payables for TLC operating fee		480		324	
Dividends approved, but not yet paid to shareholders		52	*52*	48	*48*
Other		1,047	*49*	329	*241*
Employee benefits (except for employee severance indemnities) for the current portion expected to be settled within 12 months		4		108	
Provisions for risks and charges for the current portion expected to be settled within 12 months		506		344	
	(c)	**2,827**	***101***	**1,753**	***289***
Other current liabilities					
Liabilities from customer contracts (Contract liabilities)		829	*105*	840	*133*
Other deferred revenue and income		50		59	
Other		43		36	
	(d)	**922**	***105***	**935**	***133***
Total	**(a+b+c+d)**	**9,384**	***5,647***	**8,199**	***5,717***

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

Trade payables amounting to 5,441 million euros (5,295 million euros at December 31, 2022), mainly refer to:

- TIM S.p.A. (3,941 million euros); the increase on December 31, 2022 reflects the dynamics of payments relating to bills payable;
- Brazil Business Unit (943 million euros);

As of December 31, 2023, trade payables due in more than 12 months amounted to 44 million euros (59 million euros as of December 31, 2022) and are mainly represented by payables of the Brazil Business Unit for the renewal of telecommunications licenses.

Tax payables amounted to 194 million euros and mainly consisted of both the tax payables of the Brazil Business Unit (109 million euros) and the payables of TIM S.p.A., mainly relating to the amount owed to the tax authorities for tax payables withheld as withholding agent (63 million euros) and the amount payable for the government concession tax (2 million euros).

Miscellaneous payables mainly comprise:

- the current debt position towards INPS in view of the application of the agreements signed with the trade unions regarding the application of Art. 4 of Italian Law no. 92 of June 28, 2012 and former Art. 41, subsection 5bis, Italian Legislative Decree no. 148/2015;
- advances on State grants to the parent company TIM S.p.A. for projects under the National Recovery and Resilience Plan (NRRP) amounted to 758 million euros. For more details, see Note 17 “Net financial debt”.
- the current portion of employee benefits and provisions amounted to 510 million euros;

  It should also be noted that in October 2023, the Adjusted Closing Price (Adjusted Closing Price) was finalized related to the acquisition by the Brazilian subsidiary TIM S.A. of part of the mobile telephony assets of the Oi group with the consequent extinction of the debt position of the buyer (134 million euros

as of December 31, 2022). Further details are provided in the Note 25 “Disputes and pending legal actions, other information, commitments and guarantees”.

Other current liabilities amounted to 922 million euros at December 31, 2023 (935 million euros at December 31, 2022). They break down as follows:

- **Liabilities arising from contracts with customers (Contract liabilities)**, amounted to 829 million euros. This item includes liabilities to customers related to the obligations of Group companies to transfer goods and services for which they have received consideration. Liabilities with customers, generally with a maturity of up to 12 months, are shown below;

  In particular:

  - **contract liabilities** amounting to 7 million euros; the item includes bundle contracts (good and services packages) with performance obligations with different timing for the recognition of revenues and consequent deferral of the fees originally recognized;
  - **customer-related items**, equal to 400 million euros; the item includes trade payables following contractual relationships, such as the payable for prepaid traffic and the subscription charges charged in advance;
  - **progress payments and advances** equal to 53 million euros relating to trade payables following prepayments, such as deposits made by subscribers for telephone calls;
  - **Deferred revenue from contracts with customers, amounting to** 369 million euros, essentially comprising the Parent Company's deferred revenue for:
    - rent and maintenance (194 million euros);
    - interconnection charges (111 million euros);
    - subscription charges (46 million euros);
    - activation and installation of new contracts with customers (4 million euros).
- **Other deferred revenue and income** amounted to 50 million euros. They mainly refer to deferred revenues deriving from contracts for the sale of transmission capacity.
- **Others**, amounting to 43 million euros. They mainly refer to the Parent Company and relate to payables for advances on network works in progress.

NOTE 25

DISPUTES AND PENDING LEGAL ACTIONS, OTHER INFORMATION, COMMITMENTS AND GUARANTEES

A description is provided below of the most significant judicial, arbitration and tax disputes in which TIM Group companies are involved at December 31, 2023, as well as those that came to an end during the period.
The TIM Group has posted liabilities totaling 366 million euros for those disputes described below where the risk of losing the case has been considered probable.

It should be noted that for some disputes described below, on the basis of the information available at the closing date of the Annual Financial Report and with particular reference to the complexity of the proceedings, to their progress, and to elements of uncertainty of a technical-trial nature, it was not possible to make a reliable estimate of the size and/or times of possible payments, if any. Moreover, in those cases in which disclosure of information on a dispute could seriously jeopardize the position of TIM or its subsidiaries, only the general nature of the dispute is described.

Lastly, as regards the proceedings with the Antitrust Authority, please note that based on Article 15, subsection 1 of Italian Law 287/1990 ("Antitrust regulations"), the Authority has the right to impose an administrative sanction calculated on the turnover of the Group in cases of breaches considered serious.

(a) Significant disputes and pending legal actions

International tax and regulatory disputes

At December 31, 2023, companies belonging to the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 19.2 billion reais (18.2 billion reais at December 31, 2022), corresponding to approximately 3.6 billion euros at December 31, 2023. The main types of litigation are listed below, classified according to the tax to which they refer.

Federal taxes

In relation to the federal level of taxation, the following disputes should be noted:

- disallowance of the tax effects of the merger between the companies of the TIM Brasil Group;
- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself;
- challenges regarding offsetting against previous tax losses;
- further challenges regarding the tax deductibility of the amortization of goodwill;
- imposition of income tax on certain types of exchange rate differences;
- imposition of withholding taxes on certain types of payments to foreign entities (for example, payments for international roaming);
- further challenges regarding offsets made between taxes payable and group company credit positions.

Overall, the risk for these cases, considered to be possible, amounts to 3.1 billion reais (3.3 billion reais at December 31, 2022).

State taxes

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

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

- challenges of ICMS credits deriving from the “special credit” recognized by the company to its prepaid customers, against subsequent top-ups.

Overall, the risk for these cases, considered to be possible, amounts to 10.4 billion reais (9.6 billion reais at December 31, 2022).

Municipal taxes

Among disputes classified with a "possible" degree of risk, there are some relating to municipal taxes for a total amounting to around 1.7 billion reais (around 1.6 billion reais at December 31, 2022).

FUST and FUNTTEL

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

Overall, the risk for these cases, considered to be possible, amounts to 4.0 billion reais (3.7 billion reais at December 31, 2022).

Golden Power Case

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

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

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

It should also be noted that in May 2018 a guarantee bond for 74.3 million euros was issued in favor of the Presidency of the Council. TIM had been requested to submit such a bond for its application to Lazio TAR for precautionary suspension of the collection of the fine imposed for alleged breach of Art. 2 of Decree Law 21 of March 15, 2012 (the “Golden Power” law). The guarantee bond was subsequently renewed up to November 30, 2024.

On September 13, 2023, TIM was notified that more than five years had elapsed since the appeal was filed, in accordance with Article 82 of the Code of Civil Procedure. TIM therefore requested that a public hearing be held to discuss the appeal. The public hearing was scheduled for January 10, 2024. Following the hearing, by way of order 709 of January 15, 2024, the Regional Administrative Court upheld the suspension of the proceedings, as previously dictated by non-final judgment 6310 of May 23, 2019, and upheld the suspension of the enforcement of the measure under the conditions dictated by that ruling, all of which pending the final judgment in the (injurious) case which remains pending before the President of the Republic regarding the duty to notify in accordance with the Golden Power provisions.

Furthermore, TIM appealed before the Lazio TAR and then appealed before the Council of State against the provision with which Consob, on September 13, 2017, affirmed Vivendi's control over TIM. In December 2020, the Council of State issued a final judgment upholding TIM’s appeal and canceling the provision by Consob, a significant premise to the entire subsequent proceedings of the Presidency of the Council in relation to the obligation to Golden Power notification as described above. On June 14, 2021, Consob submitted an extraordinary appeal to the Court of Cassation on grounds of jurisdiction; TIM filed an appearance, objecting that the appeal is unlawful and inadmissible. Following the hearing in chambers held on October 11, 2022, on January 24, 2023, the order was published whereby the Court of Cassation declared that Consob’s petition was unacceptable, consequently ordering it to pay the dispute expenses.

Antitrust Case A428

At the conclusion of case A428, in May 2013, AGCM (the Italian Competition Authority) imposed two administrative fines of 88,182,000 euros and 15,612,000 euros on TIM for abuse of its dominant position. The Company allegedly (i) hindered or delayed activation of access services requested by OLOs through unjustified and spurious refusals; (ii) offered its access services to final customers at economic and technical conditions that allegedly could not be matched by competitors purchasing wholesale access services from TIM itself, only in those geographic areas of the Country where disaggregated access services to the local network are available, and hence where other operators can compete more effectively with the Company.

TIM appealed against the decision before the Regional Administrative Court (TAR) for Lazio, applying for payment of the fine to be suspended. In particular, it alleged: infringement of its rights to defend itself in the proceedings, the circumstance that the organizational choices challenged by AGCM (the Italian Competition Authority) and allegedly at the base of the abuse of the OLO provisioning processes had been the subject of specific rulings made by the industry regulator (AGCom), the circumstance that the comparative examination of the internal/external provisioning processes had in fact shown better results for the OLOs than for the TIM

retail department (hence the lack of any form of inequality of treatment and/or opportunistic behavior by TIM), and (regarding the second abuse) the fact that the conduct was structurally unsuitable to reduce the margins of the OLOs.

In May 2014, the judgment of the Lazio TAR was published, rejecting TIM's appeal and confirming the fines imposed in the original order challenged. In September 2014 the Company appealed against this decision.

In May 2015, with the judgment no. 2497/15, the Council of State found the decision of the court of first instance did not present the deficiencies alleged by TIM and confirmed the AGCM (the Italian Competition Authority) ruling. The company had already proceeded to pay the fines and the accrued interest.

In a decision notified in July 2015, AGCM (the Italian Competition Authority) started proceedings for non-compliance against TIM, to ascertain if the Company had respected the notice to comply requiring it to refrain from undertaking behaviors analogous to those that were the object of the breach ascertained with the concluding decision in case A428 dated May 2013.

On January 13, 2017, TIM was served notice of AGCM's final assessment, which recognized that TIM had complied in full with the A428 decision and, as such, the conditions for the imposition of a fine for non-compliance were not present.

AGCM (the Italian Competition Authority) recognizes, furthermore, that TIM's behavior subsequently to the 2013 proceedings has been directed towards continuous improvement of its performance in the supply of wholesale access services concerning not only the services which were the subject of the investigation, but also the new Ultrabroadband access services. In assessing compliance, AGCM (the Italian Competition Authority) recognized the positive impact of the implementation, albeit not yet completed, of TIM's New Equivalence Model (NME). The AGCM (the Italian Competition Authority) decision orders TIM to: (i) proceed with the implementation of the NME until its completion which is expected to be by April 30, 2017; (ii) to inform the Authority about the performance levels of the systems for providing wholesale access services and about the completion of the corresponding internal reorganization plan by the end of May 2017. The Company quickly complied with both orders, and the Authority communicated its satisfaction on August 9, 2017.

Vodafone lodged an appeal with the Lazio Regional Administrative Court against the final decision in the proceedings for non-compliance taken by AGCM (the Italian Competition Authority). TIM filed an appearance, as in the other lawsuits filed in March 2017 by the operators CloudItalia, KPNQWest Italia and Digitel. With judgments 311 and 312/23 respectively of January 11, 2023, the regional administrative court rejected the appeals lodged by KPNQWest and CloudItalia. On April 11, 2023, KPNQWest (now Comm 3000) filed an appeal the regional administrative court's ruling before the Council of State.

Colt Technology Services - A428

With writ of summons before the Milan Court served in August 2015, the operator Colt Technology Services filed a damages claim based on the A428 decision, requesting compensation for alleged damages suffered from 2009 to 2011 as a result of purportedly inefficient and discriminatory conduct by TIM in the wholesale service supply process. The damage claimed was quantified as 27 million euros in loss of profits for the alleged non-acquisition of new customers, or for the alleged impossibility of supplying new services to the customers it had already acquired; the other party also formulated a request for compensation for the damages to its image and commercial reputation. This case follows the extrajudicial claim for approximately 23 million euros, previously advanced by Colt in June 2015, which the Company rejected in its entirety. TIM filed an appearance, contesting all of the plaintiff's allegations. In a judgment of February 21, 2024, the Court of Milan rejected in its entirety Colt's claim for damages in the amount of 27 million euros.

COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.) - A428

With writ of summons before the Rome Court, COMM 3000 S.p.A.(formerly KPNQWest Italia S.p.A.) filed a damages claim for a total of 37 million euros in compensation for alleged anticompetitive and abusive conduct over the period 2009–2011, in the form of technical boycotting (refusals to activate wholesale services – KOs); the claim was based on the contents of the decision of AGCM (the Italian Competition Authority) that settled the A428 case. TIM filed an appearance, contesting all of the plaintiff's allegations. In the judgment with ruling in April 2019, the Court of Rome partially received the petitions of COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.), sentencing TIM to pay an amount significantly lower than the amount in the counterparty's damages claim. In June 2019, TIM appealed against the judgment. In the judgment given in April 2021, the Court of Appeal of Rome partly upheld TIM's appeal, reducing the amount of the compensation due to COMM 3000, which was in any case entirely covered by the relevant provision. In November 2021, TIM has appealed to the Court of Cassation over the judgment of the Court of Appeal of Rome in. The meeting in Council Chamber took place on June 13, 2023. By interlocutory order of July 19, 2023, the Court reinstated the case to the case register. The date of the public hearing has not yet been set.

Eutelia and Clouditalia Telecomunicazioni (now Irideos) - A428

With a writ of summons dated May 2020, Eutelia in Extraordinary Administration and Clouditalia Telecomunicazioni S.p.A., purchaser of Eutelia's TLC branch, brought an action against TIM before the Court of Rome, making claims for damages, of around 40 million euros, for damages allegedly suffered, in the period 2009-2012, following the technical boycott and margin squeeze conduct, subject of AGCM (the Italian Competition Authority) procedure A428. TIM filed an appearance, contesting the claims made by the opposing party and formulating a counterclaim, subject to quantification of the damages incurred during the proceedings. On April 1, 2022, AGCM (the Italian Competition Authority) deposited the opinion envisaged by Art. 14, third subsection of Italian Legislative Decree 3/2017, whereby it: (i) proposed certain benchmarks for use to define the counterfactual scenario on which basis to quantify the damages allegedly suffered by Eutelia and Clouditalia; (ii) provided some additional indication and criteria to estimate the various damage items demanded by Eutelia and Clouditalia. At the hearing held on June 15, 2022, the Investigating Judge assigned time to the parties until July 8, 2022, by which to deposit written notes on the implications of the opinion of the AGCM (the Italian Competition Authority) and the contents of any queries to be raised with the court appointed expert. On October 24, 2022, the judge lifted the reservation and ordered an expert report on the *an* of TIM's conduct and the quantum of any damages suffered by Eutelia and Irideos as a result of such. On November 15, 2022, the court-appointed expert witness was sworn in. The hearing to examine the court-

appointed expert, originally scheduled for October 18, 2023, has been postponed to February 7, 2024. Following a request from the court-appointed expert to extend the deadline for filing the final report, the Judge once again postponed the hearing to examine the court-appointed expert to May 22, 2024.

Antitrust Case A514

In June 2017 AGCM (the Italian Competition Authority) started proceedings A514 against TIM, to ascertain a possible abuse of its dominant market position in breach of article 102 of the “Treaty on the Functioning of the European Union”. The proceedings were started based on some complaints filed in May and June 2017, by Infratel, Enel, Open Fiber, Vodafone and Wind Tre, and concerns a presumed abuse of TIM's dominant position in the market for wholesale access services and for retail services using the Broadband and Ultrabroadband fixed network. In particular, the AGCM (the Italian Competition Authority) hypothesized that TIM had adopted conduct aimed at: (i) slowing and hindering the course of the Infratel tender processes so as to delay, or render less remunerative the entry of another operator in the wholesale market; (ii) pre-emptively securing customers on the retail market for Ultrabroadband services by means of commercial policies designed to restrict the space of customer contendibility remaining for the competitor operators.

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

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

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

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

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

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

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

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

On March 6, 2020, TIM was notified of the decision to close the investigation: AGCM (the Italian Competition Authority) ruled that TIM had abused its dominant position, finding that TIM had put in place an anti-competitive strategy designed to hinder the competitive development of investment in Ultrabroadband network infrastructure. The fine imposed on TIM for the anti-competitive offense is 116,099,937.60 euros.

On June 25, 2020 TIM sent AGCM (the Italian Competition Authority) the so-called compliance report as ordered in the final provision.

In May 2021, the Company in any case paid the fine.

TIM appealed the aforementioned fine before the Lazio Regional Administrative Court (TAR). By judgment 1963/2022 of February 28, 2022, TIM’s appeal was rejected; TIM has appealed to the Council of State against the decision of the regional administrative court.

In August 2022, Irideos notified a deed of intervention *ad opponendum* with respect to TIM’s principal appeal.

The related hearing for oral discussion was scheduled for May 25, 2023. At the end of the hearing, the Council of State ordered a report from a court-appointed expert on three issues regarding the profitability of the investment in “white areas” with low population density. On October 11, 2023, the court-appointed experts were sworn-in in the Council of State and requested an extension to the completion deadlines. Under the new deadlines granted by the Council of State, the expert report should be filed by May 2024.

The case is set for a public hearing on May 16, 2024.

Open Fiber

In March 2020, Open Fiber (OF) sued TIM before the Court of Milan, claiming damages of 1.5 billion euros for alleged abuse of an exclusive and dominant position in relation to OF. The alleged actions consist of: (i) pre-emptive investments in FTTC networks in white areas; (ii) initiating specious legal action to obstruct Infratel tenders; (iii) spurious repricing of certain wholesale services; (iv) commercial lock-in offers on the retail market; (v) false disclosure to AGCom in connection with the approval of a wholesale offer and spreading rumors about TIM being interested in acquiring OF; (vi) discriminatory access conditions to TIM passive infrastructure. TIM filed an appearance, contesting the arguments of OF. Enel S.p.A. intervened in the proceedings, asking that TIM be ordered to compensate all damages suffered and being suffered by Enel and OF, without, however, quantifying such. During the course of proceedings, Open Fiber redetermined the damage allegedly suffered, taking it to 2.6 billion euros plus interest and monetary revaluation. Open Fiber has also clarified that it believes such damages are still to be suffered. Enel then quantified the damages allegedly suffered as approximately

228 million euros, plus interest. On October 19, 2022, the hearing was held for admission of the evidence, after which the judge reserved the right to deliberate. By order of July 17, 2023, the Court of Milan lifted the reservation and deferred the hearing for delivery of the verdict until April 3, 2024.

Irideos

In January 2022, Irideos summonsed TIM to the Court of Rome, making a claim for damages allegedly suffered as a consequence of the unlawful conduct of TIM, as sanctioned by AGCM (the Italian Competition Authority), with the provision that concluded case A514 ("follow-on claim"). The compensation claim comes to 23,204,079.87 euros for damages caused by the anti-competitive behavior of TIM from 2017 to 2019 (with effects also in subsequent years) on the market for services of wholesale access to the Broadband and Ultrabroadband fixed network (the "wholesale market") and on the market for retail telecommunications services on the Broadband and Ultrabroadband fixed network (the "retail market"). TIM filed an appearance, contesting the opposing party's arguments. At the hearing held on June 1, 2022, the investigating judge (i) assigned the parties time for depositing the briefs with terms running from February 15, 2023 and (ii) deferred the case to the hearing of June 7, 2023. The hearing for the taking of evidence was set for October 5, 2023. The Judge, having taken note of Irideos' request to defer the hearing and motivated by the judgment pending in case A514 before the Council of State, deferred the hearing of the parties until October 10, 2024.

Eutelia and Voiceplus

In June 2009, Eutelia and Voiceplus asked that alleged acts of abuse by TIM of its dominant position in the premium services market (based on the public offer of services provided through so-called Non Geographic Numbers) be investigated. The complainants quantified their damages at a total of approximately 730 million euros.

The case follows a precautionary procedure in which the Milan Appeal Court prohibited certain behaviors of the Company relating to the management of some financial relations with Eutelia and Voiceplus concerning the Non Geographic Numbers, for which TIM managed the payments from the end customers, on behalf of such OLOs and in the light of regulatory requirements. After the ruling with which the Milan Court of Appeal accepted TIM's objections, declaring that it was not competent in this matter and referring the case to the Civil Court, Eutelia in extraordinary administration and Voiceplus in liquidation resubmitted the matter to the Milan Court. The first hearing took place in the month of March 2014. TIM filed an appearance challenging the claims of the other parties. After the collapse of Voiceplus, the Milan Court declared the case suspended, in an order in September 2015. The case was later resumed by Voiceplus.

With a judgment issued in February 2018, the Milan Court accepted TIM's defense and rejected the plaintiffs' claim for compensation, ordering them, jointly and severally, to pay the legal costs. In March 2018 Eutelia and Voiceplus proposed an appeal against the judgment in the first instance.

TIM appealed against the claim, requesting confirmation in full of the judgment in the first instance. The appeal of Eutelia and Voiceplus was fully rejected with the judgment of August 5, 2019. In December 2019 Eutelia and Voiceplus appealed to the Court of Cassation over the judgment of the Court of Appeal. TIM notified a counterclaim asking confirmation of the ruling appealed against. The hearing in chambers is scheduled for February 16, 2023. At the hearing on February 16, 2023, at the request of the applicants, it was ordered that the case would be heard in open court, the date of which has not yet been set.

28-day billing

AGCom resolution 121/17/CONS introduced instructions on billing intervals for telephony, prescribing, for fixed telephony, that the interval should be monthly, or multiples thereof, and, for mobile telephony, that it should be at least four-weekly. TIM appealed Resolution 121/17/CONS to the Regional Administrative Court. The judgment rejecting the appeal was published in February 2018. TIM appealed this judgment to the Council of State in June 2018. On September 23, 2020, the non-definitive ruling was published whereby the Council of State joined the appeals submitted by TIM, Vodafone, Fastweb and Wind Tre and ordered the prejudicial deferral to the European Union Court of Justice (EUCJ) on whether or not the Authority had the power to regulate the frequency of renewal of the commercial offers and invoicing periods, at the same time rejecting the other grounds of appeal submitted by the operators and suspending proceedings. On June 8, 2023, the EU Court of Justice published its decision concluding that the Italian legislation granting AGCom the power to impose a monthly or multi-monthly billing requirement on fixed and convergent telephone service operators for the renewal and invoicing of such offers, is not contrary to EU law. When proceedings resumed before the Council of State in December 2023, TIM requested that its appeal be ruled inadmissible due to a lack of interest. On January 18, 2024, the State Council declared the right to be extinguished.

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

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

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

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

With the judgment published in November 2018, the Regional Administrative Court (TAR) canceled the pecuniary administrative sanction of 1.16 million euros imposed with Resolution 499/17/CONS, and confirmed the obligation of *restitutio in integrum* to the fixed-line customers by December 31, 2018, the grounds for the judgment were instead published on May 10, 2019. TIM appealed the judgment to the Council of State.

In judgment 39 of January 2, 2024, the Council of State rejected TIM's main appeal, in keeping with its prior rulings in the appeals brought by the other operators, and upheld the legitimacy of the measures adopted by AGCom. In the same decision, the administrative court of appeal also rejected AGCom's counter-appeal aimed at reinstating the 1,160,000 euro sanction that had originally been imposed on TIM and was later annulled by the Lazio Regional Administrative Court.

In August 2019, AGCom initiated a new sanctions procedure (CONT 12/19/DTC) for failing to comply with the order to refund fixed and converged network customers for the days eroded by 28-day billing, through the procedures established in resolutions 112/18/CONS and 269/18/CONS. At the end of this procedure, the Authority found in Resolution 75/20/CONS that TIM had failed to comply with these resolutions and imposed a fine of 3 million euros. In July 2020, TIM appealed the decision before the Regional Administrative Court. We are waiting for a date to be fixed for the discussion hearing.

In the civil proceedings, by judgment published on October 14, 2021 the Court of Milan, under the scope of the case on the merits brought by Associazione Movimento dei Consumatori in 2018 regarding the pricing and 28-day renewal for fixed line and converging offers, confirmed the order given on June 4, 2018 by the same Court upon closure of the complaint brought by TIM pursuant to Art. 669 *terdecies* of the Italian Code of Civil Procedure and the measures set out therein, ordering TIM to fulfill the requests for repayment of prices paid as a result of customer maneuvers - including discontinued, as indeed TIM had already been doing since 2018, at the same time also extending the period relevant to the recognition of the reimbursement through to April 1, 2017 and therefore earlier than June 23, 2017, the date on which the operators will need to comply with Resolution no. 121/17/CONS. TIM has appealed the judgment of the Court of Milan, at the same time filing a request for suspension of its enforcement. With order of January 11, 2022, the Court of Appeal of Milan partially accepted TIM’s request, suspending the charge in the judgment relating to the order to send a registered letter to all discontinued customers that were subject to billing every 28 days to inform them of the possibility to obtain a refund of the additional amounts paid as a result of the maneuver. By judgment published on December 9, 2022, the Milan Court of Appeal confirmed the first instance judgment in full. On January 12, 2023, TIM notified the appeal to the Court of Cassation and on January 16, 2023 it also filed the appeal pursuant to Art. 373 of the Italian Code of Civil Procedure with the Milan Court of Appeal, asking that enforcement of the ruling be suspended until the judgment pending before the Court of Cassation had been settled.

By order of February 14, 2023, the Milan Court of Appeal, in partially upholding TIM’s appeal, ordered suspension of the judgment in connection with the order to send the recorded delivery letters to former customers, whilst awaiting the decision of the Supreme Court. By Order published on February 15, 2024, the Court of Cassation rejected TIM's appeal.

Antitrust Case I820

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

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

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

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

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

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

On September 11, 2021, AGCM (the Italian Competition Authority) presented a petition to the Council of State, requesting the cancellation of the judgment given by the regional administrative court.

On July 25, 2023, the Council of State reformed the decision of the Lazio Regional Administrative Court, upholding the validity of AGCM ((the Italian Competition Authority) measure in case I820 and referring to the Authority to redetermine the sanction in view of the reduced duration of the infringement.

In view of the rulings of the Council of State on the *quantum* of the sanction, TIM – in a petition dated August 28, 2023 – asked the AGCM (the Italian Competition Authority) for the redetermination of the sanction to take place in full adversarial proceedings between the parties as part of a special investigation procedure.

In its order of September 26, 2023, served on the Company on October 3, 2023, the AGCM (the Italian Competition Authority) informed TIM that it had quantified the fine at 100,670,526.00 euros, holding that it had no margins for discretion in executing the judgment of the Council of State. On October 12, 2023, TIM filed an appeal to overturn the judgment of the Council of State and, on October 13, 2023, filed an appeal before the Lazio Regional Administrative Court to annul the measure redetermining the sanction; TIM also requested the suspension of the measure as a precautionary measure, which was rejected by order of November 9, 2023. For both judgments a hearing on the merits has yet to be set.

In a communication dated December 6, 2023, the Authority urged TIM to pay the penalty of 100,670,526.00 euros plus legal interest accrued from November 3, 2023 until the day of actual payment amounting to 5,535,913.60 euros.

In a communication dated December 12, 2023, TIM contested the dueness of such interest due to the absence of the prerequisites of liquidity and collectability required by Article 1282 of the Italian Civil Code, as well as an error in identifying the dies a quo for calculation.

The Authority's Budget Office responded on February 2, 2024, acknowledging an error in the calculation of legal interest, which was therefore restated to the amount of 4,121,837.47 euros, but reiterating that the same is due.

TIM decided to appeal to the Lazio Regional Administrative Court against the Budget Office's notice to challenge both the error in calculating the interest due and a defect in the Budget Office's competence.

Antitrust Case I850

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

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

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

On September 7, 2021, AGCM (the Italian Competition Authority) judged these commitments to not be clearly unfounded and ruled publication on the Authority's website from September 13, 2021; thus market testing began and was completed by October 13, 2021, the date by which all subjects so wishing submitted their observations to AGCM (the Italian Competition Authority) in respect of the relevant commitments.

On December 14, 2021 AGCM (the Italian Competition Authority) extended the deadline for the conclusion of the proceedings, initially set for December 31, 2021, to February 15, 2022.

Precisely during the meeting held on February 15, 2022, AGCM (the Italian Competition Authority) finally resolved to approve the commitments insofar as they were considered suitable to eliminate the alleged anti-competition aspects investigated.

As envisaged by the final ruling, on April 22, 2022, TIM sent AGCM (the Italian Competition Authority) a first report on the measures taken to fulfill the commitments made.

On May 11, 2022, AGCM (the Italian Competition Authority) notified TIM of its acknowledgment of the measures presented in such report.

On January 31, 2023 TIM sent AGCM (the Italian Competition Authority) a second report on the implementation of the undertakings given.

On January 30, 2024, TIM sent AGCM (the Italian Competition Authority) the required annual report on the implementation of the undertakings given.

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

Upon completion of the interim hearing of last June 1, 2022, the regional administrative court rejected the request and scheduled the merits hearing for January 26, 2023. At the January 26 hearing, after extensive discussion, the judge reserved the right to deliberate. By judgment of April 14, 2023, the Regional Administrative Court rejected as unfounded the appeal of Open Fiber, which on July 10, 2023, appealed the Regional Administrative Court's judgment to the Council of State.

Antitrust Case I857

On July 6, 2021, AGCM (the Italian Competition Authority) started an investigation in regard to TIM and DAZN for a possible understanding reached with a view to restricting competition in connection with the agreement for the distribution and technological support for TV rights for Serie A football in the 2021-2024 period.

The investigation also aims to verify the restrictive nature of the understanding with reference to additional elements regarding the possible adoption by TIM of technical solutions not available for competitor telecommunications operators and which may effectively hinder the adoption of their own technological solutions.

At the same time, the Authority has also initiated proceedings for the potential adoption of protective measures.

By resolution passed on July 27, 2021, AGCM (the Italian Competition Authority) closed the interim proceedings, considering that the initiatives and amendments to the agreement proposed by TIM and DAZN in the meantime are presently able to prevent any serious and irreparable damage to competitors while investigations are completed.

Indeed, said measures aim, as a whole, to avoid possible discrimination in the use of the DAZN service, due to its activation by users using Internet connection services other than those offered by TIM. In addition, the agreement between TIM and DAZN has been amended to guarantee DAZN complete freedom in applying discounts and promotions. TIM has also undertaken to provide DAZN with a sufficient number of white label set-top-boxes to also guarantee DAZN customers the viewing of matches over digital terrestrial TV, in the event of connection problems.

Finally, TIM has undertaken to supply wholesale services to OAOs interested therein to manage traffic peaks deriving from live data transmissions, regardless of the type of content transmitted.

On October 29, 2021 TIM submitted a proposal for undertakings to AGCM (the Italian Competition Authority) with a view to resolving the competitive concerns that were the subject of the investigation and closing the proceedings without the finding of any infringement and therefore without any sanction being applied.

On December 14, 2021, AGCM (the Italian Competition Authority) approved the publication of the aforementioned proposal for undertakings on the Authority's website, as these undertakings, taken as a whole, do not appear to be manifestly unfounded and are capable of removing the restrictions to competition hypothesized in the measure initiating the investigation in question.

On January 5, 2022, with the publication on the AGCM (the Italian Competition Authority) website, market testing began.

The deadline for rebuttal arguments and proposing any accessory amendments to the commitments presented by TIM and DAZN is scheduled for March 7, 2022.

On February 23, 2022, TIM and DAZN were convened separately to the AGCM (the Italian Competition Authority) offices. During the hearing, the Offices informed TIM - and thereafter confirmed this in the hearing meetings - that in a hearing held on February 15, the Board deemed it necessary to make certain “accessory” changes in order to approve the commitments submitted.

On March 4, 2022, TIM and DAZN requested an extension of the deadline for the submission of observations, also in view of the new aspects that had emerged on February 23. The new deadline was set as March 23, 2022.

On March 22, 2022, TIM informed the Authority that the additional changes considered necessary by the Board to approve the commitments would have entailed a complete overhaul of the contents and economic balance of the agreements signed by TIM and DAZN, such as to make it no longer possible to pursue the hypothesized business model. At the same time, TIM informed the Authority of the start of negotiations with DAZN possibly concerning the revision of the distribution exclusivity clause, which was the main object of the Authority’s investigation. Considering the complexity of negotiations, TIM requested an extension of another 30 days for submission of observations. The extension was authorized and the new deadline set as April 23, 2022.

On April 20, 2022, in consideration of the extension of negotiations, also due to the complexity and economic relevance of that being negotiated, DAZN and TIM requested an additional extension. The new deadline was set as May 9, 2022.

On May 9, 2022, TIM informed the Authority that it had declared willing to DAZN to waive the exclusivity of the distribution of Serie A football rights, as currently regulated by the Deal Memo, with DAZN consequently having the faculty to distribute such rights also through third party operators and that, in exchange for the willingness to waive this right, the Parties had begun negotiations for a review of the contracted economic commitment envisaged by TIM.

On June 7, 2022, the Authority ruled on the rejection of the commitments submitted, which “would appear, both where considered comprehensively and individually, to be unable to eliminate the anticompetitive aspects identified in the resolution that started the proceedings, insofar as they do not resolve the competition concerns highlighted in the initial proceedings, where not translated into shared contractual amendments such as to eliminate the critical competition issues” highlighted by the Authority.

Again on June 7, 2022, the Authority ruled on the deferral of the deadline for the conclusion of proceedings to March 31, 2023.

On August 2, 2022, TIM informed the Antitrust Authority that it had reached a new agreement with DAZN, under which the latter has the faculty to distribute football rights through any third party, surpassing the previous system of exclusivity in TIM’s favor.

On January 20, 2023, notification was given of the investigation results (CRI).

AGCM (the Italian Competition Authority) believes that the agreement reached on January 27, 2021 (the “Deal Memo”) had contents and resulted in effects that reduced competition for its entire duration (and therefore until stipulation of the new agreement on August 3, 2022).

On January 31, 2023, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until May 31, 2023.

TIM filed its statement of defence March 28, 2023, and the final hearing with the Authority was held on April 4, 2023.

On April 18, 2023, AGCM (the Italian Competition Authority) decided to again extend the deadline for the conclusion of the proceedings to June 30, 2023, due to the complexity of the defence put forward by the Parties in their pleadings.

On June 28, 2023, AGCM (the Italian Competition Authority) ruled that the conduct of TIM and DAZN constitutes an agreement restricting competition in breach of Article 101 TFEU.

Yet the arrangement – in particular regarding exclusivity – only lasted for approximately one month and its potentially restrictive effects on competition were neutralized by the Authority's timely initiation of the investigation procedure on July 6, 2021.

Indeed, the precautionary sub-proceedings instigated at the start of the first football season of the three-year period 2021-2024 actually prevented the effects of the arrangement from occurring, as at the beginning of August 2021 TIM and DAZN discontinued the application of the disputed contractual clauses through their own voluntary action. The original agreement was then replaced by a new contract, entered into in August 2022, in which any exclusivity was completely eliminated, thus rooting out the antitrust concerns about exclusivity of distribution.

Consequently, and in light of the mitigating circumstances recognised, AGCM (the Italian Competition Authority) imposed a fine of 760,776.82 euros on TIM and a fine of 7,240,250.84 euros on DAZN.

On September 20, 2023, TIM paid the fine with reservations in view of the appeal brought by the Company with the Lazio Regional Administrative Court against the decision against it. The public hearing for the discussion of the appeal. was held on February 21, 2024 and the decision of the Regional Administrative Court is pending.

Antitrust Case A556

On November 30, 2022, AGCM (the Italian Competition Authority) started proceedings against TIM in order to verify the existence of an abuse of a dominant position in breach of Art. 3 of Law no. 287/90.

The proceedings stem from a report made by Fastweb concerning TIM's refusal to grant Fastweb its radio mobile signal coverage maps that had been requested in order to take part in the "Open tender for mobile telephone services for public authorities - Edition 9 - Sigef ID 2452" (Consip TM9 tender).

The authority simultaneously also launched precautionary sub-proceedings in accordance with Article 14-bis of Law No. 287/1990, aiming to verifying the existence of precautionary measures aiming to protect competition.

On December 20, 2022, the authority resolved that there were no grounds on which to take precautionary measures, in accordance with Art. 14-bis of Law no. 287/90 and thus closed the precautionary sub-proceedings, rejecting Fastweb's appeal.

On September 7, 2023, AGCM (the Italian Competition Authority) sent notice to TIM of the preliminary findings relating to the main proceedings in question.

AGCM (the Italian Competition Authority) noted that there was insufficient evidence or facts to confirm that TIM had abused a dominant position. As a result, AGCM (the Italian Competition Authority) did not to bring any charges against the company.

On November 28, 2023, AGCM (the Italian Competition Authority) ruled that there was insufficient evidence to establish that TIM had abused a dominant position pursuant to Article 3 of Law 287/1990.

As a result, no financial sanction was imposed on TIM.

Antitrust Case PS 12304 "Billing after withdrawal"

On April 28, 2022, AGCM (the Italian Competition Authority) initiated proceedings against TIM for unfair commercial practice, challenging alleged undue billing following a request to terminate the line, including cases of switch to another operator, with reference to fixed and mobile telephony.

Although convinced of the diligence of its conduct, TIM decided to implement a series of measures to make the procedures for terminating contract, and, therefore, the related billing, even more efficient and transparent.

On March 31, 2023, the Authority resolved to wrap up the proceedings by imposing a fine of 200,000 euros; the amount of the fine was mitigated by the remedial actions taken by TIM. Similar proceedings were concluded by the authority against the main communication operators.

Universal Service

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

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

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

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

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009 and the allocation of contribution expenses. Vodafone has challenged this resolution before the Regional Administrative Court. The renewal proceedings concluded with resolution 18/21/CIR, which substantively confirmed the draft order. This same resolution has only been challenged before the regional administrative court by TIM for the years 1999 and 2000, while Vodafone, Wind and Fastweb have challenged the resolution for all years concerned with opposite grounds. By judgments published in February 2022, resolution 18/21/CIR was partially canceled; indeed, the regional administrative court has rejected the main complaint reporting the lack of power of renovation and upheld only the grounds hinged on the alleged unreasonable nature of the threshold envisaged by AGCom for the analysis of iniquity second facie. Fastweb, Vodafone, Wind, AGCom and TIM appealed the judgment of the Regional Administrative Court with the Council of State; The hearings on the merits were set for April 4 and April 27, 2023. At the end of the hearing on April 4, 2023, the case was reserved for judgment. On April 18, 2023, the Council of Ministers issued a collegial order referring several issues to the EU Court of Justice for a preliminary ruling.

Dispute relating to "Adjustments on license fees" for the years 1994-1998

With regard to the judgments sought in previous years concerning the Ministry of Communications' request for payment of the balance of the amounts paid in concession charges for the years 1994-1998 (for a total of 113 million euros), the Lazio Regional Administrative Court (TAR) rejected the Company's appeal against the request for adjustment of the license fee for 1994 in the amount of approximately 11 million euros, 9 million euros of which against turnover not received due to bad debts. TIM lodged an appeal. On the outcome of proceedings, with the ruling of December 2019, the Council of State partially accepted TIM's position, establishing the principle, according to which, the receivables referring to 1994 not collected for reasons not attributable to the operator, could have been deducted from the tax base for calculating the concession fee. As the Ministry of Economic Development has not followed up on TIM's requests aimed at obtaining fulfillment of the judgment, TIM has submitted a further petition to the Council of State for failure to execute the judgment, but with judgment given in April 2022, the request for compliance brought by TIM was rejected. TIM appealed for revocation of this judgment to the Council of State. This appeal was declared inadmissible in judgment 3318/2023.

With two further judgments the Lazio Regional Administrative Court (TAR), reiterating the reasons expressed previously, also rejected the appeals in which the Company challenged the requests for payment of outstanding balances of license fees for the years 1995 and 1996-1997-1998, in the amount of approximately 46 million euros. TIM has appealed before the Council of State also against these judgments. By judgment published in April 2022, the Council of State stressed the principles already set for 1994, namely that receivables that have become uncollectable for reasons not the fault of the operator, correctly handled in the accounts, on the financial statements and in terms of tax, can be deducted from the tax base for calculating the concession fee.

With reference to the 1998 fee adjustment (equal to about 41 million euros), the Lazio TAR, by TAR order of December 2018, suspended the judgment, raising preliminary questions with the EU Court of Justice on the correct scope of EC Directive no. 97/13 (in the matter of general authorizations and individual licenses in the field of telecommunications services on the basis of the currently pending litigation on the 1998 license fee, currently pending before the Rome Court of Appeal and illustrated in a subsequent paragraph).

The referred questions were based, inter alia, on the question posed to the Court of Justice on the possible conflict between the aforementioned EC Directive 97/13 and national law, which extended the obligation for telecommunications license-holders to pay the license fee for 1998 (commensurate with a portion of turnover), despite the liberalization process underway. In its judgment of March 2020, the EU Court of Justice held that the EU regulatory system must be interpreted as not allowing national legislation to extend to 1998 the obligation imposed on a telecommunications undertaking that was previously the concession holder (such as TIM) to pay a fee calculated on the basis of turnover and not only the administrative costs connected with the granting, management, control and implementation of the general authorizations and individual licenses scheme. The Court held, inter alia, that the Council of State – having held in its judgment 7506/2009 that the fee imposed for 1998 on TIM, the holder of an authorization existing on the date of entry into force of Directive 97/13, was due – interpreted national law in a way that was incompatible with EU law, as interpreted by the Court in its judgment of February 21, 2008. Following the judgment of the EU Court of Justice, the opinion on the final calculation of the 1998 charges was summarized before the Lazio Regional Administrative Court, which, in a judgment given last February, declared TIM's appeal as unacceptable for procedural reasons, namely due to the prevalence of the formal ruling consisting of judgment no. 7506/09; in substantive terms, on the other hand, the judgment of the EU Court of Justice once again ascertained the European Community unlawful nature of the credit claim by the Public Administration to obtain payment of the 1998 charges and, consequently, the final balance. The company has challenged the judgment of the Lazio Regional Administrative Court to the Council of State.

Poste

There are some pending disputes brought, at the end of the '90s, by Ing. C. Olivetti & C. S.p.A. (now TIM) against Poste, the Italian postal service, concerning non-payment of services delivered under a series of contracts to supply IT goods and services. The judgments issued in the lower courts established an outcome that was partially favorable to the ex-Olivetti, and have been appealed against by Poste in individual rehearings.

In this respect, while a 2009 judgment of the Rome Appeal Court confirmed one of the outstanding payables to TIM, another judgment by the same Court declared void one of the disputed contracts. After this judgment,

Poste had issued a writ for the return of approximately 58 million euros, opposed by TIM given that the judgment of the Supreme Court for amendment of the above judgment is still pending.

After the 2012 judgment of the Supreme Court that quashed and remanded the decision of the Appeal Court on which the order was based, the Rome Court declared that the matter of issue in the enforcement proceedings was discontinued, since the claim made by Poste had been rejected. The judgment was resubmitted to another section of the Rome Appeal Court. In ruling no. 563 of January 25, 2019, the Rome Court of Appeal at the time of proceedings, reversing the Company's previous unfavorable appeal, confirmed the contract's validity and, with it, the legitimacy of TIM's view of the amount already collected, of which Poste had requested reimbursement. This ruling was challenged by Poste with appeal filed with the Court of Cassation, notified on July 31, 2019, which TIM challenged with relevant counter appeal. The hearing in chambers was set for December 21, 2023. By order of February 29, 2024, the Supreme Court declared Poste's appeal inadmissible, putting an end to the litigation and ordering Poste to pay TIM's legal costs and the penalties provided for by Article 96, paragraphs 3 and 4 of the Code of Civil Procedure.

Elinet S.p.A. Bankruptcy

In 2014, the receiver of Elinet S.p.A., and subsequently the receivers of Elitel S.r.l. and Elitel Telecom S.p.A. (the parent, at the time, of the Elitel group) appealed the judgment by which the Court of Rome dismissed the damages claim brought by the receivers of the Elinet-Elitel group, filing a new damages claim for a total of 282 million euros. The Company is alleged to have exercised management and control powers over the plaintiff, and, with it, over the Elitel group (an OLO in which TIM has never held any equity interest) through the management of trade receivables. TIM filed an appearance, challenging the claims made by the other party. The judgment on the appeal was handed down with ruling in July 2019, which with reference to TIM confirmed full legality of its conduct and total non-existence of any element of direction and coordination. The receivers of Elinet S.p.A. and Elitel Telecom S.p.A. appealed to the Court of Cassation in January 2020 to obtain the annulment of the judgment in the second instance. The receiver of Elitel S.r.l. has not filed an appeal with the Court of Cassation and, consequently, the total claim for damages has been reduced to 244 million euros. TIM notified a counterclaim asking confirmation of the ruling appealed against.

The Court of Cassation declared inadmissible the appeals brought by the receivers of Elinet (bankrupt) and Elitel Telecom (bankrupt), ordering both bankrupts, jointly and severally, to reimburse TIM for the costs of litigation at the instance. The matter must therefore be considered definitively closed.

Brazil - Opportunity Arbitration

In May 2012, TIM and Telecom Italia International N.V. (now merged in Telecom Italia Finance) were served with a notice of arbitration proceedings brought by the Opportunity group, claiming compensation for damages allegedly suffered for presumed breach of a settlement agreement signed in 2005. Based on the claimant's allegations, the damages relate to circumstances that emerged in the criminal proceedings pending before the Milan Court regarding, inter alia, unlawful activities engaged in by former employees of TIM.

The investigatory phase having been completed, the hearing for oral discussion took place in November 2014, after which the parties filed their concluding arguments in preparation for the decision on the case.

In September 2015, the Board of Arbitration declared the proceedings closed, as the award was going to be filed.

In September 2016 the ICC Court notified the parties of its judgment, based on which the Court of Arbitration rejected all the claims made by the Opportunity group and decided that the legal costs, administrative costs and costs for expert witnesses should be split between the parties (the "2016 Arbitration Award").

In April 2017 the Opportunity group filed an appeal against the 2016 Arbitration Award before the Paris Court of Appeal.

In November 2017, TIM and Telecom Italia Finance received from the Secretariat of the ICC's International Court of Arbitration notice of a Request for Revision of the 2016 Arbitration Award, filed by the Opportunity group, asking for a new award. A Board of Arbitration was subsequently established.

In October 2018, TIM and Telecom Italia Finance requested proceedings with the Paris Court of Appeal to be suspended, in the light of proceedings pending with the Court of Arbitration of the International Chamber of Commerce to review the same 2016 Arbitration Award. In November 2018, the Paris Court of Appeal suspended the proceedings until the decision is taken by the Court of Arbitration in the review proceedings.

As regards the proceedings to review the 2016 Arbitration Award, in October 2019 the ICC held the discussion hearing in Paris. In August 2020, the Arbitration Court issued the award rejecting the Request for Revision presented by the Opportunity Group (the "2020 Arbitration Award"). In December 2020, the Opportunity group filed an appeal against the 2020 Arbitration Award before the Paris Court of Appeal. In May 2021 the Opportunity group asked the Paris Court of Appeal to summarize the proceedings brought against the 2016 Arbitration Award. Thereafter, the Opportunity Group, TIM and Telecom Italia Finance filed their briefs in the two proceedings pending before the Paris Court of Appeal, respectively against the 2016 Award and the 2020 Award. On January 8, 2024, both appeal proceedings were heard before the Paris Court of Appeal. A decision is pending in both cases.

Iliad (winback)

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

TIM filed an appearance, fully disputing the requests of Iliad Italia S.p.A.; and, in turn, submitting a counterclaim in accordance with Art. 2598 of the Italian Civil Code, with reference to the denigration implemented by Iliad Italia S.p.A. in regard to TIM and formulating a symmetrical claim for compensation for damages. In the first preliminary brief, Iliad updated its claim for damages, taking it to 242.8 million euros, and later to 292.8 million euros.

The proceedings ended in a judgment of September 25, 2023, which did not award Iliad any damages; TIM's counterclaim was declared inadmissible.

In its notice of appeal served on December 15, 2023, Iliad requested that the first-instance judgment be partially overturned, requesting, among other things, that TIM be ordered to pay full compensation of not less than 292.8 million euros for the pecuniary and non-pecuniary damage suffered by Iliad.

Iliad (restrictions on duration and termination costs)

By writ of summons notified in September 2021, Iliad Italia S.p.A. summonsed TIM before the Court of Milan for the alleged application to customers of unlawful contractual conditions in terms of time limits and economic costs for withdrawal with reference to mobile and fixed telephone offers, with a consequent petition to order TIM to compensate damages, currently quantified as 120.4 million euros.

The verdict hearing has been deferred until May 28, 2024.

Fastweb (Ethernet ATM migration)

By writ of summons notified in December 2021, TIM summonsed Fastweb before the Court of Milan, asking that it be ascertained and declared that Fastweb had not achieved the minimum objectives of migration from ATM bitstream technology to Ethernet bitstream technology in any of the 30 Collection Areas into which the national territory is divided by the deadline envisaged by industry regulation and the migration plan agreed by the parties; and therefore that it ascertain and declare that TIM is entitled to: (a) reverse the economic benefits relating to this migration granted retroactively from April 12, 2016 to Fastweb and (b) obtain from Fastweb the prices for the ATM bandwidth envisaged by the contract stipulated by the parties and the current Reference Offers in force *ratione temporis*; (c) therefore declare and order Fastweb to pay TIM the total amount of 79,240,329.47 euros (or other amount, potentially greater, as may be assessed during the course of proceedings).

Fastweb filed an appearance and submitted a counterclaim for abuse of a dominant market position and breach of contract. Fastweb's application is essentially based on alleged delays in the development of Ethernet coverage. The counterparty complains of damages of around 81.4 million euros. Having noted that the counterclaim made by Fastweb would appear to go beyond the profile of breach of contract and that, in this case, the specialized business chambers may be competent to judge the matter, the investigating judge has returned the case to the Chambers President for due consideration. The Chambers President has submitted the case to the President of the specialized business chambers. The first hearing was held on December 14, 2022. The hearing for the admission of the preliminary motions has been postponed to June 13, 2023. Subsequent to the filing of the preliminary motions, Fastweb re-quantified damage allegedly suffered as a result of TIM's unlawful conduct at approximately 101.1 million euros (of which 13.2 million euros is subject to the acceptance of TIM's main claim). At the hearing of June 13, 2023, the investigating judge reserved judgment To dissolve this reservation, the G.I. ordered an expert report to be prepared by a court-appointed expert, who was to be appointed and sworn in on November 21, 2023. The public hearing for the examination of the court-appointed expert witness has been scheduled for September 17, 2024.

Iliad (INWIT)

By writ of summons notified in July 2022, Iliad Italia S.p.A. summonsed Telecom, Vodafone and Infrastrutture Wireless Italiane S.p.A. ("INWIT") before the Court of Milan to assess the alleged unlawful conduct of INWIT, Telecom and Vodafone, consisting of refusal to allow Iliad to upgrade its mobile telephone transmission systems installed on INWIT-owned infrastructures. As a result of this conduct, Iliad has asked that Telecom be ordered, together with INWIT and Vodafone, to compensate the damages allegedly suffered, which it has reserved the right to quantify during the course of proceedings. The initial hearing took place on April 5, 2023, with the Judge reserving judgment on the objection as to the invalidity of the writ of summons brought by TIM. The initial hearing was deferred to October 11, 2023, following the admittance of the objection as to the invalidity of the writ of summons brought by TIM. At the hearing, the Judge set three dates for the exchange of pleadings between the parties: November 10, 2023, December 11, 2023, and January 2, 2024. The hearing for admission of evidence is scheduled for March 6, 2024.

(b) Other information

Mobile telephony - criminal proceedings

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

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

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

At the end of the preliminary hearing, which took place in March 2014, the Judge for the Preliminary Hearing committed for trial all the defendants (including TIM) who had not asked for their situation to be settled with alternative procedures, on the grounds that "examination in a trial" was needed. In April 2016, at the end of the first part of the trial, the Public Prosecutor asked for TIM to be sentenced to pay an administrative fine of 900 thousand euros, but decided not to ask for confiscation of any of the presumed profits of the offenses

(quantified in the committal proceedings as totaling several million euros), based on the assumption that TIM had in any event remedied the presumed organizational inadequacies. While acknowledging the considerable redimensioning of the accusations, the Company has reiterated its total non-involvement in the facts at issue. In November 2016 the Court gave a verdict acquitting the Company on the grounds that there was no case to answer. All the individuals charged were also acquitted on various grounds.

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

The subsequent proceedings were concluded in October 2022: The Court of Appeal in Milan confirmed the outcome of the judgment challenged, repeating the acquittal of Telecom Italia and dismissing the requests for sentencing of the General Prosecutor's Office in regard to the Company. However, the General Prosecutor's Office again appealed to the Court of Cassation, this time against the judgment of the Milan Court of Appeal.

In September 2023, the Court of Cassation issued a final judgment rejecting the appeal filed by the Milan General Prosecutor's Office against the acquittal pronounced by the Court of Appeal.

The Court of Cassation, in particular, found the grounds presented by the General Prosecutor's Office to be inadmissible, thus acquitting Telecom of the indictment pursuant to Legislative Decree no. 231/2001 in a definitive judgment.

Dispute concerning the license fees for 1998

TIM has summoned the Prime Minister's Office to appear in a civil suit for compensation for damages caused by the Italian State through appeal ruling 7506/09, handed down by the Council of State in breach, in the view of the Company, of Community law.

The main claim which the proceedings are founded on is based on community jurisprudence that recognizes the right to assert the responsibility of the State in relation to violation of rights recognized in community law and injured by a judgment that has become definitive, in respect of which no other remedy may be applied. The judgment of the Council of State definitively denied TIM the right to obtain restitution of the concession charge for 1998 (totaling 386 million euros for Telecom Italia and 143 million euros for the former TIM Company, plus interest), already denied by the Lazio regional administrative court despite the favorable and binding opinion of the European Court of Justice in February 2008. This judgment concerned the conflict between EC Directive 97/13 on general authorizations and individual licenses in the telecommunications services industry, and the national regulations that had deferred, for 1998, the obligation to pay the fee payable by telecommunications concession holders, despite the intervening deregulation process. The Company then proposed an alternative compensation claim, within the sphere of the same proceedings, for tort pursuant to art. 2043 of the Italian Civil Code. The compensation claimed has been quantified as approximately 529 million euros, plus legal interest and revaluation. The Avvocatura di Stato filed an appearance and submitted a counterclaim for the same sum. The case is subject to eligibility analysis by the Court, which declared the inadmissibility of TIM's main claim (case for damages for manifest breach of community law pursuant to law 117/88). However, this decision was amended in favor of the Company on appeal. In March 2015 the Rome Court issued its judgment in the first instance, declaring the Company's application inadmissible.

In 2015, TIM has appealed the decision, and the case is now pending the hearing specifying the nature of the forms of order sought. The Court of Appeal has scheduled the hearing for closing arguments for April 2, 2019. Thereafter, without any new procedural activities having taken place, the Court of Appeal incontrovertibly deferred the hearing for closing arguments first to 2020 and then to 2021 (from when the terms for conclusion and replies shall run, which will be followed shortly thereafter by the issue of the judgment). These deferrals were followed by the latest, of January 15, 2021, scheduling the new hearing for January 25, 2022.

On the matters underlying the case, the following must be noted:

- on the considered lack of jurisdiction of the Court of Rome (concerned by the judgment of the Court of Rome appealed by TIM) to judge the liability of the Italian government for the work of senior magistrates (in the case in point, the Council of State), which would have led to the declared inadmissibility of the claim in accordance with Art. 5, law no. 117/1978 (old text) - the United Chambers of the Court of Cassation ruled with judgment no. 14842 on June 7, 2018, confirming the jurisdiction of the Court of Rome and, therefore, the correctness of TIM's choice to base its lawsuit in the Court of Rome;
- on the unlawful nature of the conduct of the Italian government - and, therefore, on the liability of the State-Court in accordance with Law no. 117/1998 - once again, the EU Court of Justice has ruled, deciding on the prejudicial matter raised by the Lazio TAR in other, connected proceedings, in its judgment given on March 4, 2020 in C-34/19, stressing that TIM was not required to pay the charges demanded by the State for 1998 and, therefore, confirming the clear violation by the Council of State of European Community law (also because in clear conflict with the decision already given by the EU Court of Justice on February 21, 2008 in C-296/06, as, moreover, already ruled by the Court of Appeal of Rome, Chambers I, in Decree of January 31, 2012, which sanctioned the procedural admissibility of TIM's lawsuit);
- on the matter of the right to repeat the charges paid for 1998 - the Court of Cassation ruled in its judgment no. 18603 given on September 7, 2020, rejecting the appeal brought by the Presidency of the Council against the judgment whereby the Court of Appeal of Rome had upheld the claim for compensation made by Vodafone (payment of charges for 1998) for the same title in separate proceedings.

In short, the company paid the charges disputed in 1998; it promptly challenged the administrative provision that had unfairly required said payment, before the administrative court; the administrative proceedings before the Council of State concluded negatively in 2009 (despite the recalled opposite judgment of the European Court of Justice); the civil proceedings of first instance concluded in March 2015 with a judgment of rejection for grounds of admissibility (then solved in the sense indicated by the company with the referenced judgment of Cassation in United Chambers no. 14842/18) and more than 6 years after the first instance judgment - going from deferral to deferral - the appeal judgment (that could only uphold the mentioned judgments of the Court of Justice and the Court of Cassation) has not yet been issued (nor, on the basis of these repeated deferrals, can the company forecast when it will be given).

The company is examining the various scenarios and legal claims (national, European Community, etc.) that may contribute towards defining the appeal dispute. It is considered, in fact, that the principles of the reasonable duration of the trial, in accordance with subsection 2 of article 111 of the Constitution and in accordance with article 6 of the European Convention on Human Rights, are violated by these events, considering: (i) the year in which payment was made of the undue charges is 1998; (ii) the value of these charges is approximately 529 million euros plus interest from that date; (iii) the extremely long procedural process has not even led to an appeal judgment (started in 2015 and with an unpredictable conclusion, given the continuous deferrals); (iv) the circumstance that the legal matter appears to be readily able to be settled, as not one but two judgments have already been given by the EU Court of Justice declaring payment of the charges to be incompatible with European Community legislation (judgments that have currently been ignored by the national court).

As part of these analyses aimed at deciding the appeal, on January 25, 2021 the company filed a request with the Court of Appeal in Rome to bring forward the hearing (postponed as mentioned to January 25, 2022); This is to avoid the umpteenth adjournment of the case, which concerns the failure to comply with two *inter-partes* decisions rendered in the matter by the EU Court of Justice for a manifest violation of European law by the State-Judge. With a ruling on February 8, 2021, the Rome Court of Appeal (second section specializing in corporate matters) deemed it could grant the request for an advance ruling, setting the hearing for November 30, 2021. On that date the case was taken to decision with the assignment of the legal terms for closing statements and replies. By order of 2/22/2022, having acknowledged that one of its members had chosen to abstain, the Board re-submitted the case, arranging for the deeds to be sent onto the President of the Court of Appeal. On March 4, 2022, the case was reassigned to another judge. By judgment of March 31, 2022, the Board scheduled the hearing for December 1, 2022 for closing arguments. The Board has deferred the case to the hearing of January 19, 2023 for verbal discussion. Following the request made by the State advocacy, the case was deferred to the hearing of March 9, 2023 with judgment reserved. At the hearing on December 13, 2023, the Board granted the parties time to submit their closing statements and replies.

TIM S.A. - Arbitration proceedings no. 28/2021/SEC8

In March 2020, TIM S.A., a Brazilian subsidiary of the TIM Group, concluded negotiations with C6 bank and, in April 2020, launched exclusive offers for TIM customers who had opened C6 bank accounts and used their services. As compensation for this contract, TIM S.A. receives commission for each account activated, as well as the option of obtaining an investment in the bank upon achieving certain targets connected to the number of active accounts.

The number of shares received for each target achieved varies throughout the contract term, with the initial percentages being more advantageous for TIM due to the greater effort required for a new digital company to take off.

Even with the project's success, differences between the partners resulted in the initiation of arbitration proceedings in 2021.

Arbitration proceedings no. 28/2021/SEC8 were filed with the Arbitration and Mediation Center of the Brazil-Canada Chamber of Commerce, by TIM S.A. against Banco C6 S.A., Carbon Holding Financeira S.A. and Carbon Holding S.A. through which the interpretation will be discussed of certain clauses of the contracts governing the partnership. In the event of losing, the partnership may be dissolved.

On February 1, 2021, TIM S.A. announced that as part of this partnership it had obtained the right to exercise a Subscription Bonus to an indirect investment of approximately 1.44% in the share capital of Banco C6 S.A. due to the fulfillment of the 1st tier of agreed objectives in December 2020. This was to be exercised whenever deemed appropriate by the Company's management. If exercised, this subscription bonus will give TIM S.A. a non-controlling position, thereby not placing it in a position of significant control or influence over the management of Banco C6 S.A..

The Company subsequently exercised its option to purchase and convert C6 shares, representing 1.44% of the share capital, equal to 163 million reais.

TIM S.A. - Arbitration proceedings connected with the acquisition of the Oi Group mobile telephone assets

On September 19, 2022, TIM S.A. announced that the Buyers (TIM S.A., Telefônica Brasil S.A. and Claro S.A.) of the mobile telephone assets of Oi Móvel S.A. (the "Seller") 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 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).

On October 3, 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.

On October 4, 2022, TIM S.A. was surprised by news published by the press and by a Material Fact released by the Seller that a preliminary decision had been handed down by the 7th Business Court of the Judicial District of Rio de Janeiro 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. Said deposit was made into an account linked to the Court ahead of the installation of the Court of Arbitration.

TIM S.A. appealed the decision and on October 17, 2022, the Superior Court of Justice, by monocratic judgment, rejected TIM S.A.'s appeal and that of the other Buyers. Therefore, on October 19, 2022, TIM S.A. paid the 7th Business Court of the Judicial District of Rio de Janeiro, the amount of 670 million reais by way of guarantee.

On October 4, 2023, TIM S.A. reported that the Court of Arbitration had approved an agreement stipulated between the Company, Telefônica Brasil S.A. and Claro S.A. (the "Buyers") and Oi S.A. - Em Recuperação Judicial (the "Seller") to put an end to the dispute and arbitration proceedings relating to the post-closing adjustment of the purchase price assigned to Oi's mobile telephone assets. The final price for the portion of the mobile telephone assets attributed to TIM S.A., considering the post-closing adjustment negotiated in the agreement, was 6.68 billion reais, taking the closing date as reference ("TIM Adjusted Final Price").

Considering the TIM Adjusted Final Price, TIM S.A. has therefore redeemed a portion equal to half the amount that had been deposited in court and subsequently transferred to the Court of Arbitration, which was initially equivalent to approximately 317 million reais. The amount of the proceeds, redetermined at the closing date, will be updated with the 100% change in the CDI index until deposit in court, interest and/or monetary update applicable until the date on which the respective reimbursement is paid. The remaining amount has been collected by the Seller as part of the purchase price of the mobile telephone assets attributed to TIM S.A.. Following the agreement, all matters and disputes pending between TIM S.A. and Oi S.A. in connection with the acquisition of the mobile telephone assets, have been settled.

Other liabilities related to the sale of assets and shareholdings

As part of agreements for the sale of assets and companies, the TIM Group has undertaken guarantees to indemnify the buyers for liabilities mainly connected with legal, tax, social security, and labor law issues, for an amount normally set as a percentage of the purchase price.
To cover such contingent liabilities, amounting to a total of around 220 million euros, provisions totaling approximately 9 million euros have been allocated solely for those cases for which payment is considered likely.
Furthermore, we report that in relation to the disposal of assets and investments, the TIM Group has commitments to pay additional indemnities under specific contractual provisions, the contingent liability of which cannot be measured at present.

(c) Commitments and guarantees

Guarantees, net of back-to-back guarantees received, amounted to 132 million euros.

The guarantees provided by third parties to Group companies, amounting to 7,921 million euros, related to guarantees provided by banks and financial institutions as a guarantee of the proper performance of contractual obligations.

In particular, we report:

- the insurance guarantees, which totaled 2,343 million euros, mainly refer to guarantee financing by the TIM Group in applying legal provisions for contracts of Public Administrations and similar bodies;
- the TIM Group had bank guarantees issued in favor of INPS in support of the application - by TIM and some Group companies - of Article 4 of Italian Law 92 of June 28, 2012 and Article 41, paragraph 5-bis of Italian Legislative Decree 148/2015 or the voluntary redundancy of employees meeting the requirements; the total amount of the guarantees issued is 1,040 million euros, including 973 million euros for TIM S.p.A. and 67 million euros for Group companies. with reference to the bank guarantees issued in favour of INPS for which financial assets have been pledged, reference should be made to Note 10 "Non-current and current financial assets";
- TIM had bank guarantees issued in favor of Infratel over the advances of contributions under the National Recovery and Resilience Plan (NRRP) in relation to the "Italia 1 Giga" plans (lots 1 and 5) for a total exposure of 208 million euros. For more details, see Note 17 "Net financial debt".

Lastly, in May 2018, TIM issued a surety to the Prime Minister's Office for 74 million euros to secure an appeal to the Lazio Administration Court for a provisional stay of the administrative fine levied on TIM following the preliminary investigation connected with the penalty proceeding initiated under Article 2 of Decree Law 21 of 3/15/2012 (the "Golden Power" law).

There are also surety bonds on the telecommunication services in Brazil for 668 million euros.

The loan guarantees are described in the Note 16 "Non-current and current financial liabilities".

NOTE 26
REVENUES

This item rose by 508 million euros compared to 2022. The figure breaks down as follows:

(million euros)	2023	2022
Equipment sales	1,343	1,188
Services	14,953	14,600
Total	**16,296**	**15,788**

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 1,168 million euros (1,205 million euros in 2022), included in Costs of services.

Revenues from services in 2023 include revenues for voice and data services on fixed and mobile networks for Retail customers for 7,871 million euros and for other Wholesale operators for 2,695 million euros.

For a breakdown of revenues by operating segment/geographical area, reference should be made to the Note "Segment Reporting".

NOTE 27
OTHER INCOME

This item decreased by 7 million euros compared to 2022. The breakdown is as follows:

(million euros)	2023	2022
Late payment fees charged for telephone services	37	39
Recovery of employee benefit expenses, purchases and services rendered	17	13
Capital and operating grants	44	38
Damages, penalties and recoveries connected with litigation	38	37
Estimate revisions and other adjustments	51	68
Income for special training activities	5	1
Other	14	17
Total	**206**	**213**

NOTE 28
ACQUISITION OF GOODS AND SERVICES

This item rose by 279 million euros compared to 2022. The figure breaks down as follows:

(million euros)		2023	2022
Purchase of raw materials and goods	**(a)**	**1,158**	**1,164**
Costs of services:			
Revenues due to other TLC operators		1,168	1,205
Costs for telecommunications network access services		127	130
Commissions, sales commissions and other selling expenses		1,453	1,263
Advertising and promotion expenses		237	235
Professional and consulting services		229	311
Utilities		537	507
Maintenance costs		532	518
Outsourcing costs for other services		407	406
Mailing and delivery expenses for telephone bills, directories and other materials to customers		32	37
Other service expenses		703	665
	(b)	**5,425**	**5,277**
Lease and rental costs:			
Rent and leases		85	83
TLC circuit subscription charges		188	189
Other lease and rental costs		662	526
	(c)	**935**	**798**
Total	**(a+b+c)**	**7,518**	**7,239**

In 2023, lease and rental costs included around 10 million euros in short-term lease payments of modest value (approximately 12 million euros in 2022).

NOTE 29
EMPLOYEE BENEFITS EXPENSES

This item decreased by 193 million euros compared to 2022. The breakdown is as follows:

(million euros)		2023	2022
Ordinary employee expenses			
Wages and salaries		1,732	1,812
Social security expenses		627	658
Other employee benefits		162	153
	(a)	**2,521**	**2,623**
Costs and provisions for agency contract work	**(b)**	**1**	**1**
Miscellaneous expenses for employees and other labor-related services rendered			
Charges for termination benefit incentives		6	222
Corporate restructuring expenses		456	329
Other		3	5
	(c)	**465**	**556**
Total	**(a+b+c)**	**2,987**	**3,180**

Employee benefits expenses mainly related to the Domestic Business Unit for 2,648 million euros (2,868 million euros in 2022) and to the Brazil Business Unit for 338 million euros (311 million euros in 2022).

"Charges for termination benefit incentives" and "Corporate restructuring expenses" totaled 462 million euros (551 million euros in 2022) and are mainly linked to outgoing staff, envisaged according to the application of art. 4 of Law no. 92 of June 28, 2012 as per the agreements signed, during the year, with the trade unions and referring entirely to the Italian companies of the Domestic Business Unit.

The average salaried workforce, including agency contract workers, stood at 43,145 employees in 2023 (45,912 in 2022). A breakdown by category is as follows:

(number of units)	2023	2022
Executives	554	589
Middle managers	3,804	4,090
White collars	38,669	41,059
Blue collars	87	159
Employees on payroll	**43,114**	**45,897**
Agency contract workers	31	15
Total average salaried workforce	**43,145**	**45,912**

The headcount at December 31, 2023, including agency contract workers, stood at 47,180 employees (50,392 at December 31, 2022), showing a decrease of 3,212 employees.

NOTE 30
OTHER OPERATING EXPENSES

This item rose by 56 million euros compared to 2022. The figure breaks down as follows:

(million euros)	2023	2022
Write-downs and expenses in connection with credit management	233	236
Provision charges	88	129
TLC operating fees and charges	241	243
Indirect duties and taxes	109	104
Penalties, settlement compensation and administrative fines	32	25
Subscription dues and fees, donations, scholarships and traineeships	12	13
Sundry expenses	157	66
Total	**872**	**816**
of which, included in the supplementary disclosure on financial instruments	*233*	*236*

The non-recurring item in the financial year 2023 amounted to 134 million euros (77 million euros in the financial year 2022) and related mainly to regulatory penalties and provisions for onerous contracts.

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

NOTE 31
INTERNALLY GENERATED ASSETS

This item decreased by 21 million euros compared to 2022. The figure breaks down as follows:

(million euros)	2023	2022
Intangible assets with a finite useful life	230	244
Tangible assets	308	315
Total	**538**	**559**

They mainly refer to the capitalization of labor costs relating to design, construction and testing of network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

NOTE 32
DEPRECIATION AND AMORTIZATION

These increased by 86 million euros compared to 2022. The breakdown is as follows:

(million euros)		2023	2022
Amortization of intangible assets with a finite useful life			
Industrial patents and intellectual property rights		1,045	1,069
Concessions, licenses, trademarks and similar rights		485	442
Other intangible assets		10	6
	(a)	**1,540**	**1,517**
Depreciation of tangible assets owned			
Buildings (civil and industrial)		37	37
Plant and equipment		2,162	2,145
Manufacturing and distribution equipment		7	8
Other		155	158
	(b)	**2,361**	**2,348**
Amortization of rights of use assets			
Property		440	398
Plant and equipment		483	474
Other tangible assets		35	38
Intangible assets		4	2
	(c)	**962**	**912**
Total	**(a+b+c)**	**4,863**	**4,777**

For further details refer to the Notes "Intangible assets with a finite useful life", "Tangible assets" and "Rights of use assets".

For a breakdown of depreciation and amortization by operating segment/geographical area, reference should be made to Note 39 "Segment Reporting".

NOTE 33
GAINS/(LOSSES) ON DISPOSALS OF NON-CURRENT ASSETS

This item was broken down as follows:

(million euros)		2023	2022
Gains on disposals of non-current assets:			
Gains on the retirement/disposal of intangible, tangible and user rights on rental		15	50
	(a)	**15**	**50**
Losses on disposals of non-current assets:			
Losses on the retirement/disposal of intangible, tangible and user rights on rental		26	14
	(b)	**26**	**14**
Total	**(a-b)**	**(11)**	**36**

NOTE 34
IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS

(million euros)		2023	2022
Impairment reversals on non-current assets:			
on intangible assets		—	—
on tangible assets		—	—
	(a)	**—**	**—**
Impairment losses on non-current assets:			
on intangible assets		—	—
on tangible assets		—	
	(b)	**—**	**—**
Total	**(a-b)**	**—**	**—**

The net impairment losses on non-current assets were null in 2023.

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 2023, 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 5 "Goodwill".

NOTE 35
OTHER INCOME (EXPENSES) FROM INVESTMENTS

Details are as follows:

(million euros)	2023	2022
Dividends from Other investments	2	2
Net gains on the sale of investments in associates and joint ventures accounted for using the equity method	45	206
Sundry income (expense)	6	(2)
Total	**53**	**206**
of which, included in the supplementary disclosure on financial instruments	*2*	*2*

The balance for the 2023 financial year mainly includes the income connected to the definition, in October 2023, of the Adjusted Closing Price relating to the acquisition by the Brazilian subsidiary TIM SA of part of the Oi group's mobile telephony assets (56 million euros). More in detail, on October 4, 2023, TIM S.A. reported that the Court of Arbitration had approved an agreement stipulated between the Company, Telefônica Brasil S.A. and Claro S.A. (the "Buyers") and Oi S.A. - Em Recuperação Judicial (the "Seller") to put an end to the dispute and arbitration proceedings relating to the post-closing adjustment of the purchase price assigned to Oi's mobile telephone assets. The final price for the portion of the mobile telephone assets attributed to TIM S.A., considering the post-closing adjustment negotiated in the agreement, was 6.68 billion reais, taking the closing date as reference ("TIM Adjusted Final Price").

Considering the TIM Adjusted Final Price, TIM S.A. has therefore redeemed a portion equal to half the amount that had been deposited in court and subsequently transferred to the Court of Arbitration, which was initially equivalent to approximately 317 million reais. The amount of the proceeds, redetermined at the closing date, will be updated with the 100% change in the CDI index until deposit in court, interest and/or monetary update applicable until the date on which the respective reimbursement is paid. The remaining amount has been collected by the Seller as part of the purchase price of the mobile telephone assets attributed to TIM S.A.. Following the agreement, all matters and disputes pending between TIM S.A. and Oi S.A. in connection with the acquisition of the mobile telephone assets, have been settled.

In financial year 2022 the balance mainly included the net capital gain connected to the sale of 41% of the share capital of the Daphne 3 holding company, which currently holds a 29.9% stake in Infrastrutture Wireless Italiane - INWIT (171 million euros) as well as the capital gain net connected to the sale of the stake in Satispay (33 million euros).

NOTE 36
FINANCE INCOME AND EXPENSES

Finance income (expenses) showed a net expense of 1,740 million euros (expense of 1,423 million euros in 2022) and comprises:

(million euros)	2023	2022
Finance income	1,095	1,115
Finance expenses	(2,835)	(2,538)
Net finance income (expenses)	**(1,740)**	**(1,423)**

The items break down as follows:

(million euros)		2023	2022
Interest expenses and other finance expenses:			
Interest expenses and other costs relating to bonds		(855)	(766)
Interest expenses to banks		(379)	(127)
Interest expenses to others		(70)	(51)
Finance expenses on lease liabilities		(426)	(377)
		(1,730)	**(1,321)**
Commissions		(61)	(70)
Other finance expenses (*)		(200)	(200)
		(261)	**(270)**
Interest income and other finance income:			
Interest income		137	122
Income from financial receivables, recorded in Non-current assets		2	3
Income from securities other than investments, recorded in Non-current		—	—
Income from securities other than investments, recorded in Current assets		25	23
Miscellaneous finance income (*)		50	51
		214	**199**
Total net finance interest/(expenses)	**(a)**	**(1,777)**	**(1,392)**
Other components of finance income and expenses:			
Net exchange gains and losses		(3)	23
Net result from derivatives		(2)	39
Net fair value adjustments to fair value hedge derivatives and underlying instruments		—	—
Net fair value adjustments to non-hedging derivatives		42	(93)
Total other components of finance income and expenses	**(b)**	**37**	**(31)**
Total net finance income (expenses)	**(a+b)**	**(1,740)**	**(1,423)**
of which, included in the supplementary disclosure on net financial		*(1,387)*	*(1,142)*

(*) of which IFRS 9 impact positive for 6 million euros in 2023, nil in 2022.

(million euros)	2023	2022
Income from negative adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI	*1*	*1*
Expenses from positive adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI	*(1)*	*(7)*
Income/Expenses from IFRS 9 reserve impairment on financial assets measured at FVTOCI	**—**	***(6)***
Reversal of IFRS 9 impairment reserve on financial assets measured at FVTOCI	*6*	—
Impairment losses on financial assets other than investments	—	—

Further details on Financial Instruments are provided in Note 20 "Supplementary disclosure on financial instruments".

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

(million euros)		2023	2022
Foreign currency conversion gains		271	360
Exchange losses		(274)	(337)
Net exchange gains and losses		**(3)**	**23**
Income from fair value hedge derivatives		—	2
Charges from fair value hedge derivatives		—	(1)
Net result from fair value hedge derivatives	**(a)**	**—**	**1**
Positive effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)		461	426
Negative effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)		(370)	(321)
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	**(b)**	**91**	**105**
Income from non-hedging derivatives		62	56
Charges from non-hedging derivatives		(155)	(123)
Net result from non-hedging derivatives	**(c)**	**(93)**	**(67)**
Net result from derivatives	**(a+b+c)**	**(2)**	**39**
Positive fair value adjustments to fair value hedge derivatives		—	—
Negative fair value adjustments relating to financial assets and liabilities underlying fair value hedge derivatives		—	—
Net fair value adjustments	**(d)**	**—**	**—**
Positive fair value adjustments to Underlying financial assets and liabilities of fair value hedge derivatives		—	3
Negative fair value adjustments relating to fair value hedge derivatives		—	(3)
Net fair value adjustments	**(e)**	**—**	**—**
Net fair value adjustments to fair value hedge derivatives and underlying instruments	**(d+e)**	**—**	**—**
Positive fair value adjustments to non-hedging derivatives	(f)	87	69
Negative fair value adjustments to non-hedging derivatives	(g)	(45)	(162)
Net fair value adjustments to non-hedging derivatives	**(f+g)**	**42**	**(93)**

NOTE 37
PROFIT (LOSS) FOR THE YEAR

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

(million euros)	2023	2022
Profit (loss) for the year	**(1,107)**	**(2,654)**
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	(1,441)	(2,925)
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to owners of the Parent	**(1,441)**	**(2,925)**
Non-controlling interests:		
Profit (loss) from continuing operations	334	271
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the year attributable to Non-controlling interests	**334**	**271**

NOTE 38
EARNINGS PER SHARE

		2023	2022
Basic earnings per share			
Profit (loss) for the year attributable to owners of the Parent		(1,441)	(2,925)
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)		—	—
	(million euros)	(1,441)	(2,925)
Average number of ordinary and savings shares	(millions)	21,250	21,241
Basic earnings per share – Ordinary shares	(euros)	(0.07)	(0.14)
Plus: additional dividends per savings share		—	—
Basic earnings per share – Savings shares	(euros)	(0.07)	(0.14)
Basic earnings per share from continuing operations			
Profit (loss) from continuing operations attributable to Owners of the Parent		(1,441)	(2,925)
Less: additional dividends for the savings shares		—	—
	(million euros)	(1,441)	(2,925)
Average number of ordinary and savings shares	(millions)	21,250	21,241
Basic earnings per share from continuing operations – Ordinary shares	(euros)	(0.07)	(0.14)
Plus: additional dividends per savings share		—	—
Basic earnings per share from continuing operations – Savings shares	(euros)	(0.07)	(0.14)
Basic earnings per share from Discontinued operations/Non-current assets held for sale			
Profit (loss) from Discontinued operations/Non-current assets held for sale	(million euros)	—	—
Average number of ordinary and savings shares	(millions)	21,250	21,241
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares	(euros)	—	—
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares	(euros)	—	—

	2023	2022
Average number of ordinary shares	15,222,590,778	15,213,524,300
Average number of savings shares	6,027,791,699	6,027,791,699
Total	**21,250,382,477**	**21,241,315,999**

		2023	2022
Diluted earnings per share			
Profit (loss) for the year attributable to owners of the Parent		(1,441)	(2,925)
Dilution effect of stock option plans and convertible bonds (*)		—	—
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)		—	—
	(million euros)	(1,441)	(2,925)
Average number of ordinary and savings shares	(millions)	21,259	21,241
Diluted earnings per share – Ordinary shares	(euros)	(0.07)	(0.14)
Plus: additional dividends per savings share		—	—
Diluted earnings per share – Savings shares	(euros)	(0.07)	(0.14)
Diluted earnings per share from continuing operations			
Profit (loss) from continuing operations attributable to Owners of the Parent		(1,441)	(2,925)
Dilution effect of stock option plans and convertible bonds (*)		—	—
Less: additional dividends for the savings shares		—	—
	(million euros)	(1,441)	(2,925)
Average number of ordinary and savings shares	(millions)	21,259	21,241
Diluted earnings per share from continuing operations – Ordinary shares	(euros)	(0.07)	(0.14)
Plus: additional dividends per savings share		—	—
Diluted earnings per share from continuing operations – Savings shares	(euros)	(0.07)	(0.14)
Diluted earnings per share from Discontinued operations/Non-current assets held for sale			
Profit (loss) from Discontinued operations/Non-current assets held for sale	(million euros)	—	—
Dilution effect of stock option plans and convertible bonds		—	—
Average number of ordinary and savings shares	(millions)	21,259	21,241
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares	(euros)	—	—
Diluted earnings per share from Discontinued operations/Non current assets held for sale – Savings shares	(euros)	—	—

	2023	2022
Average number of ordinary shares (*)	15,231,210,398	15,213,524,300
Average number of savings shares	6,027,791,699	6,027,791,699
Total	**21,259,002,097**	**21,241,315,999**

(*) The average number of ordinary shares also includes the potential ordinary shares relating to the equity compensation plans of employees for which the (market and non-market) performance conditions have been met, in addition, for 2022, to the theoretical number of shares that are issuable as a result of the conversion of the unsecured equity-linked convertible bond reimbursed on March 26, 2022. Consequently, the "Net profit (loss) for the year attributable to owners of the Parent" and the "Profit (loss) from continuing operations attributable to owners of the Parent" are also adjusted to exclude the effects, net of tax, related to the above-mentioned plans and to the convertible bond (+10 million euros in 2022); As regards 2023 and 2022, however, these effects have not been included in the calculation insofar as, in accordance with the provisions of IAS 33, the latter are allegedly anti-diluting.

Future potential changes in share capital

The table below shows future potential changes in share capital, based on the long-term share incentive plans, still outstanding at December 31, 2023:

	Number of maximum shares issuable	**Share capital** (thousands of euros)	**Additional paid-in capital** (thousands of euros)	**Subscription price per share** (euros)
Capital increases already approved (ordinary shares)				
2020-2022 Long Term Incentive Plan (free issue)	8,619,620			
2022-2024 Stock Options Plan	257,763,000	109,292		0.424
Total	**266,382,620**	**109,292**		

Further information is provided in Note 16 "Non-current and current financial liabilities" and Note 41 "Equity compensation plans".

NOTE 39
SEGMENT REPORTING

(a) Segment reporting

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

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

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

The results of financial management, income tax expense for the year, as well as profit (loss) from Discontinued operations / Non-current assets held for sale are presented at a consolidated level.

Separate Consolidated Income Statement by Operating Segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Third-party revenues	11,885	11,826	4,411	3,962		—	—	—	16,296	15,788
Intragroup revenues	37	32	1	1	—	—	(38)	(33)	—	—
Revenues by operating segment	**11,922**	**11,858**	**4,412**	**3,963**		**—**	**(38)**	**(33)**	**16,296**	**15,788**
Other income	190	196	17	17		—	(1)	—	206	213
Total operating revenues and other income	**12,112**	**12,054**	**4,429**	**3,980**	**—**	**—**	**(39)**	**(33)**	**16,502**	**16,001**
Acquisition of goods and services	(5,862)	(5,697)	(1,687)	(1,562)	(2)	(7)	33	27	(7,518)	(7,239)
Employee benefits expenses	(2,648)	(2,868)	(338)	(311)	(1)	(1)	—	—	(2,987)	(3,180)
of which: provisions for employee severance indemnities		—		—		—	—	—		—
Other operating expenses	(484)	(444)	(383)	(367)	(5)	(4)	—	(1)	(872)	(816)
of which: write-downs and expenses in connection with credit management and provision charges	(174)	(226)	(147)	(139)		—	—	—	(321)	(365)
Change in inventories	29	16	18	6		—	—	—	47	22
Internally generated assets	430	458	102	93		—	6	8	538	559
EBITDA	**3,577**	**3,519**	**2,141**	**1,839**	**(8)**	**(12)**	**—**	**1**	**5,710**	**5,347**
Depreciation and amortization	(3,545)	(3,518)	(1,318)	(1,259)			—	—	(4,863)	(4,777)
Gains (losses) on disposals of non-current assets	(22)	23	10	13	—	—	1	—	(11)	36
Impairment reversals (losses) on non-current assets		—	—	—	—	—	—	—	—	—
EBIT	**10**	**24**	**833**	**593**	**(8)**	**(12)**	**1**	**1**	**836**	**606**
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(12)	35	(17)	(11)	—	—	—	(1)	(29)	23
Other income (expenses) from investments									53	206
Finance income									1,095	1,115
Finance expenses									(2,835)	(2,538)
Profit (loss) before tax from continuing operations									**(880)**	**(588)**
Income tax expense									(227)	(2,066)
Profit (loss) from continuing operations									**(1,107)**	**(2,654)**
Profit (loss) from Discontinued operations/Non-current assets held for sale									—	—
Profit/(Loss) for the year									**(1,107)**	**(2,654)**
Attributable to:										
Owners of the Parent									**(1,441)**	**(2,925)**
Non-controlling interests									334	271

Revenues by operating segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenues from equipment sales - third party	1,201	1,059	142	129		—	—	—	1,343	1,188
Revenues from equipment sales - intragroup	—	—	(1)	—	—	—	1	—	—	—
Total revenues from equipment sales	**1,201**	**1,059**	**141**	**129**		**—**	**1**	**—**	**1,343**	**1,188**
Revenues from services - third party	10,684	10,767	4,269	3,833	—	—	—	—	14,953	14,600
Revenues from services - intragroup	37	32	2	1	—	—	(39)	(33)	—	—
Total revenues from services	**10,721**	**10,799**	**4,271**	**3,834**		**—**	**(39)**	**(33)**	**14,953**	**14,600**
Total third-party revenues	11,885	11,826	4,411	3,962	—	—	—	—	16,296	15,788
Total intragroup revenues	37	32	1	1	—	—	(38)	(33)	—	—
Total revenues by operating segment	**11,922**	**11,858**	**4,412**	**3,963**	**—**	**—**	**(38)**	**(33)**	**16,296**	**15,788**

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

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Purchase of intangible assets	729	913	183	215	—	—	—	—	912	1,128
Purchase of tangible assets	2,298	2,178	643	650	—	—	—	—	2,941	2,828
Purchase of rights of use assets	674	464	542	489	—	—	—	—	1,216	953
Total purchase of intangible, tangible and rights of use assets	**3,701**	**3,555**	**1,368**	**1,354**	**—**	**—**	**—**	**—**	**5,069**	**4,909**
of which: capital expenditures	*3,148*	*3,207*	*834*	*870*	*—*	*—*	*—*	*—*	*3,982*	*4,077*
of which: increases in lease/leasing contracts for rights of use assets	*553*	*348*	*534*	*484*	*—*	*—*	*—*	*—*	*1,087*	*832*

Headcount by Operating Segment

(number of units)	Domestic		Brazil		Other Operations		Consolidated Total	
	12.31.2023	12.31.2022	12.31.2023	12.31.2022	12.31.2023	12.31.2022	12.31.2023	12.31.2022
Headcount	**37,901**	**40,984**	**9,267**	**9,395**	**12**	**13**	**47,180**	**50,392**

Assets and liabilities by Operating Segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	12.31.2023	12.31.2022	12.31.2023	12.31.2022	12.31.2023	12.31.2022	12.31.2023	12.31.2022	12.31.2023	12.31.2022
Non-current operating assets	40,769	40,747	7,916	7,970	1	1	—	2	48,686	48,720
Current operating assets	4,027	3,975	1,046	907	19	19	(48)	(40)	5,044	4,861
Total operating assets	44,796	44,722	8,962	8,877	20	20	(48)	(38)	53,730	53,581
Investments accounted for using the equity method	266	262	271	277	—	—	—	—	537	539
Discontinued operations /Non-current assets held for sale										—
Unallocated assets									7,892	7,907
Total Assets									**62,159**	**62,027**
Total operating liabilities	9,746	8,886	2,214	2,133	22	23	(85)	(105)	11,897	10,937
Liabilities directly associated with Discontinued operations/Non-current assets held for sale										—
Unallocated liabilities									32,749	32,365
Equity									17,513	18,725
Total Equity and Liabilities									**62,159**	**62,027**

(b) Reporting by geographical area

(million euros)		Revenues				Non-current operating assets	
		Breakdown by location of operations		Breakdown by location of customers		Breakdown by location of operations	
		2023	2022	2023	2022	12.31.2023	12.31.2022
Italy	(a)	11,590	11,553	10,987	10,928	40,549	40,495
Outside Italy	(b)	4,706	4,235	5,309	4,860	8,137	8,225
Total	**(a+b)**	**16,296**	**15,788**	**16,296**	**15,788**	**48,686**	**48,720**

(c) Information about major customers

None of the TIM Group's customers exceeds 10% of consolidated revenues.

NOTE 40
RELATED-PARTY TRANSACTIONS

The following tables show the figures relating to related party transactions and the impact of those amounts on the TIM Group's separate consolidated income statement, consolidated statements of financial position and consolidated statements of cash flows.

Pursuant to Art. 5, paragraphs 8 and 9, of Consob Regulation no. 17221 of March 12, 2010 concerning "Related-party transactions" and subsequent amendments, in the 2023 financial year there are no transactions of greater importance, as defined by the Art. 4, paragraph 1, letter. a) of the aforementioned regulation which have significantly influenced the financial situation or results of the TIM Group.

In addition, there were no transactions concluded in 2023 that significantly impacted the equity position or results of the TIM Group, nor were there any changes or developments with respect to the related-party transactions described in the 2022 Report on Operations which had a significant effect on the financial position or on the performance of the TIM Group in 2023.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length. They were performed in compliance with the internal procedure, which sets forth rules designed to ensure the transparency and fairness of the transactions in accordance with Consob Regulation 17221/2010. The current procedure is available on the website gruppotim.it, under the Group - Governance - Governance Tools - Other Codes and Procedures section.

The effects of the related-party transactions on the TIM Group separate consolidated income statement line items for 2023 and 2022 are as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2023

(million euros)	**Total** (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties** (b)	% of financial statement item (b/a)
Revenues	**16,296**	44	312			**356**	2.2
Other income	**206**	2	(11)			**(9)**	(4.4)
Acquisition of goods and services	**7,518**	124	207			**331**	4.4
Employee benefits expenses	**2,987**			74	17	**91**	3.0
Depreciation and amortization	**4,863**		5			**5**	0.1
Finance expenses	**2,835**	4				**4**	0.1

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2022

(million euros)	**Total** (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties** (b)	% of financial statement item (b/a)
Revenues	**15,788**	17	154			**171**	1.1
Other income	**213**	3				**3**	1.4
Acquisition of goods and services	**7,239**	270	221			**491**	6.8
Employee benefits expenses	**3,180**			76	24	**100**	3.1
Depreciation and amortization	**4,777**	29	4			**33**	0.7
Finance expenses	**2,538**	12				**12**	0.5

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

The effects of related-party transactions on the TIM Group separate consolidated statements of financial position line items at December 31, 2023 and December 31, 2022, are as follows:

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2023

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Net financial debt						
Non-current financial receivables arising from lease contracts	**(112)**		(64)		**(64)**	57.1
Current financial receivables arising from lease contracts	**(162)**		(53)		**(53)**	32.7
Non-current financial liabilities for lease contracts	**4,743**		2		**2**	—
Current financial liabilities for financing contracts and others	**5,771**	2			**2**	—
Current financial liabilities for lease contracts	**838**		3		**3**	0.4
Total net financial debt	**25,776**	2	(112)		**(110)**	(0.4)
Other statement of financial position line items						
Rights of use assets	**5,515**		51		**51**	0.9
Miscellaneous receivables and other non-current assets	**2,187**	2			**2**	0.1
Trade and miscellaneous receivables and other current assets	**4,699**	50	44		**94**	2.0
Miscellaneous payables and other non-current liabilities	**1,326**		19		**19**	1.4
Trade and miscellaneous payables and other current liabilities	**9,384**	29	71	23	**123**	1.3

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2022

(million euros)	**Total** **(a)**	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties** **(b)**	% of financial statement item **(b/a)**
Net financial debt						
Non-current financial receivables arising from lease contracts	**(49)**		(1)		**(1)**	2.0
Current financial receivables arising from lease contracts	**(69)**		(11)		**(11)**	15.9
Non-current financial liabilities for lease contracts	**4,597**		10		**10**	0.2
Current financial liabilities for lease contracts	**870**		13		**13**	1.5
Total net financial debt	**25,370**		**11**		**11**	**—**
Other statement of financial position line items						
Rights of use assets	**5,488**		38		**38**	0.7
Miscellaneous receivables and other non-current assets	**2,365**	1			**1**	—
Trade and miscellaneous receivables and other current assets	**4,539**	26	55		**81**	1.8
Miscellaneous payables and other non-current liabilities	**1,146**		21		**21**	1.8
Trade and miscellaneous payables and other current liabilities	**8,199**	34	91	24	**149**	1.8

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

The effects of the related-party transactions on the significant TIM Group consolidated statements of cash flows line items for 2023 and 2022 are as follows:

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2023

(million euros)	**Total** (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties** (b)	% of financial statement item (b/a)
Purchase of intangible, tangible and rights of use assets on an accrual basis	**5,069**	39	27		**66**	1.3

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2022

(million euros)	**Total** (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties** (b)	% of financial statement item (b/a)
Purchase of intangible, tangible and rights of use assets on an accrual basis	**4,909**	42	29		**71**	1.4

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

Transactions with associates, subsidiaries of associates and joint ventures

The most significant values of the transactions with associates, subsidiaries of associates and joint ventures are summarized in the tables below.

It should be noted that following the sale by TIM, on August 4, 2022, of 41% of the share capital of the holding company Daphne 3 S.p.A., which holds a 29.9% stake in Italian Wireless Infrastructure ("INWIT"), INWIT ceased to be a related party; Therefore, the following tables show only the income statement line items for the 2022 financial year, which reflect the transactions carried out up to the date of sale.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2023	2022	TYPE OF CONTRACT
Revenues			
Polo Strategico Nazionale S.p.A.	72	16	Supply of software and related installation and configuration services; security services; cloud services, Data Center spaces, connectivity, design.
INWIT S.p.A.		15	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing and maintenance services.
I-Systems S.A.	5	7	Services related to network operation and maintenance.
Italtel S.p.A.	2	1	Fixed and mobile telephony services including equipment, licenses and outsourcing services.
NordCom S.p.A.	1	1	Fixed and mobile telephony services including equipment, Microsoft maintenance and licenses, network connections and outsourcing.
TIMFin S.p.A.	(36)	(23)	Mobile and fixed voice services, outsourcing services and fees; costs related to financing transactions recognised as a reduction of the Parent Company TIM S.p.A.'s revenues.
Total revenues	**44**	**17**	
Other income	**2**	**3**	Recovery of seconded personnel costs, recovery of centralized expenses.
Acquisition of goods and services			
INWIT S.p.A.		167	Services for BTS sites, power supply systems for the supply of electricity of the hosted devices, monitoring and security services (alarms) and management and maintenance services, remote management and monitoring of the electricity consumption of TIM technological infrastructures (BTS) hosted at INWIT sites.
I-Systems S.A.	80	67	Supply of multimedia communication services and capacity services.
Italtel S.p.A.	34	27	Supply of equipment and software licenses and related professional services; hardware and software maintenance services linked to TIM offers to end customers; network and security equipment maintenance services for a period of 24 months linked to the TIM offer for the customer Poste Italiane; supplies for the expansion of TIM's fiber network.
W.A.Y. S.r.l.	9	8	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
Other minor companies	1	1	
Total acquisition of goods and services	**124**	**270**	
Depreciation and amortization		**29**	Amortisation of rights of use on backhauling connections to INWIT S.p.A.
Finance expenses			
INWIT S.p.A.		9	Finance expenses related to financial liabilities for rights of use.
TIMFin S.p.A.	4	3	Finance expenses for commission and other finance expenses.
Total finance expenses	**4**	**12**	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12.31.2023	12.31.2022	TYPE OF CONTRACT
Net financial debt			
Current financial liabilities for financing contracts and others	2	—	Financial liabilities for expenses on the transfer of receivables in respect of TIMFin S.p.A.
Other statement of financial position line items			
Miscellaneous receivables and other non-current assets	2	1	Prepayment (non-current portion) of costs to Italtel S.p.A.
Trade and miscellaneous receivables and other current assets			
Polo Strategico Nazionale S.p.A.	45	20	Supply of products, software installation and configuration services, cloud servers, Data Center spaces, connectivity and design
I-Systems S.A.	1	3	Services related to network operation and maintenance.
Italtel S.p.A.	2	1	Supply of fixed and mobile telephone services including equipment, Microsoft licenses and outsourcing services; prepayment (current portion) of costs.
W.A.Y. S.r.l.	1	1	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
Other minor companies	—	1	
Total trade and miscellaneous receivables and other current assets	**50**	**26**	
Trade and miscellaneous payables and other current liabilities			
Italtel S.p.A.	10	15	Supply contracts connected with investment and operation.
I-Systems S.A.	11	9	Supply of multimedia communication services and capacity services.
TIMFin S.p.A.	5	8	Miscellaneous costs for loans.
W.A.Y. S.r.l.	2	2	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
Total trade and miscellaneous payables and other current liabilities	**29**	**34**	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2023	2022	TYPE OF CONTRACT
Purchase of intangible, tangible and rights of use assets on an accrual basis			
Italtel S.p.A.	39	35	Software development, FTTH design for FiberCop works, supply of hardware and software, installations of hardware and engineering services for the network platforms; supplies for the expansion of TIM's fiber network.
INWIT S.p.A.		7	IRU acquisition of backhauling connections, supply of plants, installation and related activations for the extension of indoor radio mobile coverage relating to TIM offerings to end customers.
Total purchase of intangible, tangible and rights of use assets on an accrual basis	**39**	**42**	

Transactions with other related parties (through directors, statutory auditors and key managers, as well as participants in shareholder agreements pursuant to Article 122 of the Consolidated Law on Finance)

Details are provided below of the transactions with:

- Vivendi Group and the companies of the group that it belongs to;
- Cassa Depositi e Prestiti Group (CDP) and Group subsidiaries;
- Companies related through Directors, Statutory Auditors and Key Managers with strategic responsibilities.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2023	2022	TYPE OF CONTRACT
Revenues			
Cassa Depositi e Prestiti Group	311	153	Transfer of rights to use lead-in ducts and revenues for the rental of vertical segments, IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, application outsourcing services, cloud services, maintenance services to Open Fiber (formerly Metroweb) and electricity supply services.
Vivendi group	1	1	Circuit rental services and feasibility study for routing and submarine cable interface solutions in America to the Vivendi Group.
Total revenues	**312**	**154**	
Other income	(11)		Reversal of a CDP Group company's reimbursement due to Telenergia following the Council of State's decision no. 5002/2023 whereby the Court affirmed the right of Telenergia to retain the amounts collected under AEEGSI decision no. 333/2016.
Acquisition of goods and services			
Cassa Depositi e Prestiti Group	40	77	Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables) and maintenance of the Open Fiber (formerly Metroweb) network of Milan and Genoa (primary network portion).
Havas Group	159	139	Service & advisory activities in the purchase of media space by the TIM Group; study and implementation of advertising campaigns for the TIM and KENA brands, editorial management services for TIM brands on social media and TIM Group data room management services
Vivendi group	8	5	Operational management of TIM's “TIM I Love Games” online store platform and related developments; TIM cloud gaming (TIMGAMES) service in SaaS mode; use of My Canal platform licenses.
Total acquisition of goods and services	**207**	**221**	
Depreciation and amortization	**5**	**4**	Purchase of underground infrastructure in black areas and purchase of connected fiber to Open Fiber (formerly Metroweb), a company of the Cassa Depositi e Prestiti group.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12.31.2023	12.31.2022	TYPE OF CONTRACT
Net financial debt			
Non-current financial assets	**(64)**	**(1)**	Lease agreements for aerial infrastructure with Open Fiber (Cassa Depositi e Prestiti group).
Current financial assets	**(53)**	**(11)**	Lease agreements for infrastructure with Open Fiber (Cassa Depositi e Prestiti group).
Non-current financial liabilities	**2**	**10**	Leasing contract for Open Fiber (formerly Metroweb), a company of the Cassa Depositi e Prestiti group
Current financial liabilities	**3**	**13**	Payable for purchase in IRU infrastructure from Open Fiber (formerly Metroweb), a company of the Cassa Depositi e Prestiti group.
Other statement of financial position line items			
Rights of use assets	**51**	**38**	Supply and installation of vertical segments and infrastructures for Open Fiber (a company of the Cassa Depositi e Prestiti group).
Trade and miscellaneous receivables and other current assets			
Cassa Depositi e Prestiti Group	43	55	IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, application outsourcing services, cloud services, maintenance services and electricity supply.
Havas Group	1	—	Prepaid expenses related to costs for advertising services.
Total trade and miscellaneous receivables and other current assets	**44**	**55**	
Miscellaneous payables and other non-current liabilities			
Cassa Depositi e Prestiti Group	18	19	Deferred income from deferred fees.
Vivendi group	1	2	Deferred income for IRU sale.
Total miscellaneous payables and other non-current liabilities	**19**	**21**	
Trade and miscellaneous payables and other current liabilities			
Cassa Depositi e Prestiti Group	32	47	Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the Open Fiber (formerly Metroweb) network of Milan and Genoa (primary network portion) and purchase of electricity.
Havas Group	36	42	Service & advisory activities in the purchase of media space by the TIM Group; study and implementation of advertising campaigns for the TIM and KENA brands, editorial management services for TIM brands on social media and TIM data room management services.
Vivendi group	3	2	Purchase of musical and television digital content, operative management of the TIM S.p.A. on-line store platform “TIM I Love Games” and related developments. TIM cloud gaming (TIMGAMES) service in SaaS mode; use of My Canal platform licenses.
Total trade and miscellaneous payables and other current liabilities	**71**	**91**	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2023	2022	TYPE OF CONTRACT
Purchase of intangible, tangible and rights of use assets on an accrual basis			
Cassa Depositi e Prestiti Group	27	28	Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the Open Fiber (formerly Metroweb) network of Milan and Genoa (primary network portion).
Vivendi group	—	1	Development of the discovery phase and MYCanal+ platform supply for the TimVision Service.
Total purchase of intangible, tangible and rights of use assets on an accrual basis	**27**	**29**	

Transactions with pension funds

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2023	2022	TYPE OF CONTRACT
Employee benefits expenses			Contributions to pension funds.
Fontedir	8	9	
Telemaco	63	64	
Other pension funds	3	3	
Total employee benefits expenses	**74**	**76**	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12.31.2023	12.31.2022	TYPE OF CONTRACT
Trade and miscellaneous payables and other current liabilities			Payables for contributions to pension funds.
Fontedir	2	3	
Telemaco	20	20	
Other pension funds	1	1	
Total trade and miscellaneous payables and other current liabilities	**23**	**24**	

Remuneration to key managers

In 2023, the total remuneration recorded on an accrual basis by TIM or by Group subsidiaries in respect of key managers amounted to 18 million euros (24 million euros in 2022).

(million euros)	2023	2022
Short-term remuneration	15[1]	14[3]
Long-term remuneration		1
Employment termination benefit incentives		5 [4]
Share-based payments (*)	3[2]	4[5]
Total	**18**	**24**

(*) These refer to the fair value of the rights, accrued to December 31, under the share-based incentive plans of TIM S.p.A. and its subsidiaries (Long Term Incentive, Stock Options Plan and Plans of the subsidiaries).
(1) of which 1.4 million euros recorded by the subsidiaries;
(2) of which 0.5 million euros recorded by the subsidiaries;
(3) of which 1.2 million euros recorded by the subsidiaries;
(4) of which 0.1 million euros recorded by the subsidiaries;
(5) of which 2.8 million euros recorded by the subsidiaries.

Short-term remuneration is paid during the reference year, and, at the latest, within the six months following the end of that period and, in 2023, do not include the effects of assessment differences related to 2022 costs amounting to -0.4 million euros. Likewise, they do not take in the value referring to the taxable amount of the LTI 2020-2022 Plan shares granted during the first half of 2023, amounting to 0.6 million euros.

In 2023, the contributions paid in to defined contribution plans (Assida and Fontedir) by TIM S.p.A. on behalf of key managers, amounted to 230,900 thousand euros (212,000 thousand euros in 2022).

In 2023, "Key managers", i.e. those who have the power and responsibility, directly or indirectly, for the planning, direction and control of the operations of the TIM Group, including directors, were the following:

Directors:		
Pietro Labriola		Managing Director and Chief Executive Officer of TIM S.p.A. General Manager of TIM S.p.A.
Managers:		
Alberto Maria Griselli		Diretor Presidente TIM S.A.
Adrian Calaza Noia	(1)	Chief Financial Office
Paolo Chiriotti	(2)	Chief Human Resources & Organization Office
Simone De Rose	(3)	Head of Procurement & Logistics
Massimo Mancini		Chief Enterprise Market Office
Giovanni Gionata Massimiliano Moglia	(4)	Chief Regulatory Affairs Office
Agostino Nuzzolo	(5)	Head of Legal & Tax
Claudio Giovanni Ezio Ongaro	(6)	Chief Strategy, Business Development & Wholebuy Office
Elisabetta Romano		Chief Network, Operations & Wholesale Office
Andrea Rossini	(7)	Chief Consumer, Small & Medium and Mobile Wholesale Market Office
Eugenio Santagata	(8)	Chief Public Affairs & Security Office
Elio Schiavo		Chief Enterprise and Innovative Solutions Office

(1) From November 24, 2023, Interim Head of Administration, Finance & Control in the Chief Network, Operations & Wholesale Office.
(2) From November 24, 2023, Interim Head of Regulatory Affairs in the Chief Network, Operations & Wholesale Office.
(3) From November 23, 2023, Head of Procurement. From November 24, 2023, also Interim Head of Procurement in the Chief Network, Operations & Wholesale Office.
(4) From November 24, 2023, Interim Head of Regulatory Affairs in the Chief Network, Operations & Wholesale Office.
(5) From November 24, 2023, Interim Head of Legal & Tax in the Chief Network, Operations & Wholesale Office.
(6) Until November 23, 2023, Head of the Chief Strategy & Business Development Office. From November 24, 2023, also Interim Head of Strategy & Business Development in the Chief Network, Operations & Wholesale Office.
(7) Until November 23, 2023, Head of the Chief Consumer, Small & Medium Market Office.
(8) From November 24, 2023, Interim Head of Public Affairs & Security in the Chief Network, Operations & Wholesale Office.

NOTE 41
EQUITY COMPENSATION PLANS

Equity compensation plans in force at December 31, 2023, are used for attraction and retention purposes, and as a long-term incentive for the managers and employees of the Group.

However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at December 31, 2023.

A summary is provided below of the plans in place at December 31, 2023.

Description of stock option plans

TIM S.p.A. 2022-2024 Stock Option Plan

The Shareholders' Meeting held on April 7, 2022, approved the one-shot 2022-2024 Stock Option Plan. The Plan aims to encourage Beneficiaries to create value for the Company's shareholders, aligning management's interests with the interests of TIM shareholders in terms of achieving the qualified objectives of the Industrial Plan and growth in the value of the Share in the medium-term. The Plan intends to also assure the possibility of attracting new managers from the outside, as the Industrial Plan is implemented.

The 2022-2024 Stock Options Plan is intended for the CEO, Top Management and a select number of managers of the TIM Group who hold key roles in terms of achieving the Strategic Plan objectives.

The Plan has a strike price of 0.4240 euros, a three-year vesting period (1.1.2022-12.31.2024) and a two-year exercise period (from approval of the 2024 financial statements and through to the next two years).

The following performance conditions are also envisaged for the three-year period 2022-2024:

- Cumulative (reported) Economic-financial indicator (EBITDA-CapEx) with a weight of 70%
- ESG indicators with a total weight of 30%, structured into:
    - percentage of women in positions of responsibility (15%);
    - percentage of consumption of renewable energies (15%).

The level of achievement of the indicators determines the accrual of option rights over an interval that ranges from -10% to + 10% with respect to the target number allocated per bracket.

At December 31, 2023, there were a total of 145 addressees and the number of options assigned at target is 197,645,537.

For further details, see the Information Document on the initiative at https://www.gruppotim.it/content/dam/gt/investitori/doc---avvisi/anno-2022/ita/Doc-informativo-Piano-stock-option-22-24.pdf.

Description of other compensation plans

TIM S.p.A. - Long Term Incentive Plan 2020-2022

The Shareholders' Meeting of April 23, 2020 approved the launch of the rolling and equity based long-term incentive plan called LTI 2020-2022.

The Plan envisaged three incentive cycles, connected with the performance three-year periods 2020-2022, 2021-2023, 2022-2024; over time, two of the three incentive cycles have been launched: 2020-2022, 2021-2023.

On April 7, 2022, the Shareholders' Meeting approved, after acknowledging the changes in scenario, the obsolescence of the 2020-2022 Long Term Incentive Plan and replaced the third cycle of this plan with the new 2022-2024 Stock Options Plan described previously.

For more details on the 2020-2022 LTI Plan, see to the TIM Group's Consolidated Financial Statements as at December 31, 2022.

2020-2022 Cycle

The final results of the performance indicators tied to this cycle were approved by the TIM S.p.A. Board of Directors on March 15, 2023. 10,879,774 shares were assigned to the 102 beneficiaries still employed with TIM or the Group's subsidiaries as of December 31, 2022.

2021-2023 Cycle

The final results of the performance indicators tied to this cycle were approved by the TIM S.p.A. Board of Directors on March 6, 2024.

Valuation at December 31, 2023 of the gate to accessing maturity of the performance shares is below the value of the share at the Plan start-up: failure to satisfy the Gate condition determines the forfeiture of 28,913,829 Performance Shares at target and the maintenance - for the 107 recipients continuing their employment with TIM or Group subsidiaries at December 31, 2023 - of the right to receive a total of 8,619,620 shares (Attraction/Retention Shares).

TIM S.A. – Long Term Incentive Plan 2018-2020

On April 19, 2018, the General Meeting of Shareholders of TIM Participações S.A. (now TIM S.A.) approved the long-term incentive plan for managers in key positions in the Company. The plan aimed to reward participants with shares issued by the company, subject to specific temporal and performance conditions. The portion of shares linked to performance (70%) is granted 1/3 each year, if the performance target is achieved; the remaining portion of shares (30%) is granted 3 years after allocation (restricted share). The vesting period is 3 years (with annual measurement) and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form.

The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2018

On April 20, 2018, plan beneficiaries were granted the right to receive a total of 849,932 shares, of which 594,954 performance shares restricted to performance conditions and with gradual vesting over 3 years and 254,978 restricted shares, with a vesting period of 3 years.

At December 31, 2023, 100% of the rights assigned were considered as vested.

Year 2019

On July 30, 2019, plan beneficiaries were granted the right to receive a total of 930,662 shares, of which 651,462 performance shares restricted to performance conditions and with gradual vesting over 3 years and 279,200 restricted shares, with a total vesting period of 3 years.

At December 31, 2023, 100% of the rights assigned were considered as vested.

Year 2020

On April 14, 2020, plan beneficiaries were granted the right to receive a total of 796,054 shares, of which 619,751 performance shares restricted to performance conditions and with gradual vesting over 3 years and 176,303 restricted shares, with a total vesting period of 3 years.

Three vesting periods ended on December 31, 2023:

- **In 2021**: in compliance with the results approved on May 5, 2021, 267,145 shares were transferred to beneficiaries, of which 206,578 relating to the original volume accrued, 51,634 granted according to the degree to which objectives had been achieved and 8,933 shares as a result of the dividends distributed during the period.
- **In 2022**: in compliance with the results approved on April 26, 2022, in July 337,937 shares were transferred to beneficiaries, of which 252,024 relating to the original volume accrued, 63,029 granted according to the degree to which objectives had been achieved and 22,884 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in June of the amount corresponding to 3,478 shares (2,593 relating to the original volume accrued, 649 acknowledged according to the degree to which the objectives had been achieved and 236 due to dividends distributed during the period).
- **In 2023**: in compliance with the results approved on May 8, 2023, in July 284,922 shares were transferred to beneficiaries, of which 230,188 relating to the original volume accrued, 25,174 granted according to the degree to which objectives had been achieved and 29,560 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in July of the amount corresponding to 37,714 shares (30,471 relating to the original volume accrued, 3,330 acknowledged according to the degree to which the objectives had been achieved and 3,913 due to dividends distributed during the period).

At December 31, 2023, of the original volume assigned of 796,054 shares, 74,200 had been canceled due to the beneficiaries having left the company and 605,082 shares had been transferred to beneficiaries (458,602 related to the original volume vested, 114,663 recognized on the basis of performance achieved and 31,817 for effect of dividends distributed during the period). For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 3,478 shares (2,593 relating to the original volume accrued, 649 acknowledged according to the degree to which the objectives had been achieved and 236 due to dividends distributed during the period), thus completing the 2020 grant.

TIM S.A. – Long Term Incentive Plan 2021-2023

On March 30, 2021, the General Meeting of Shareholders of TIM S.A. approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, according to specific time (restricted shares) and performance (performance shares) conditions. The vesting period is 3 years and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2021

On May 5, 2021, plan beneficiaries were granted the right to receive a total of 3,431,610 shares, of which 3,173,142 performance shares restricted to performance conditions and with gradual vesting over 3 years and 258,468 restricted shares, with a vesting period of 3 years.

In 2021, the Special Grant was added to the traditional plan, a further extraordinary concession with the aim of encouraging the closure of the purchase operation for part of Oi Móvel's assets in Brazil as well as the success of the subsequent integration operations.

Of the total 3,431,610 shares granted, 1,151,285 relate to the traditional grant (with 892,817 performance shares and 258,468 restricted shares) and 2,280,325 refer to the Special Grant.

On February 9, 2023, the Board of Directors agreed to adjust the number of performance shares granted under the Special Grant by 220,743 to conform the award to the new participant role.

On December 31, 2023, two vesting periods were completed:with regard to the**traditional** grant:

- **2022**: in compliance with the results approved on April 26, 2022, in July 572,608 shares were transferred to beneficiaries, of which 463,608 relating to the original volume accrued, 87,605 granted according to the degree to which objectives had been achieved and 21,395 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in June of the amount corresponding to 3,486 shares (2,883 relating to the original volume accrued, 473 acknowledged according to the degree to which the objectives had been achieved and 130 due to dividends distributed during the period).
- **2023**: in compliance with the results approved on May 8, 2023, in July 169,462 shares were transferred to beneficiaries, of which 128,384 relating to the original volume accrued, 28,484 granted according to the degree to which objectives had been achieved and 12,594 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in July of the amount corresponding to 17,576 shares (13,316 relating to the original volume accrued, 2,954 acknowledged according to the degree to which the objectives had been achieved and 1,306 due to dividends distributed during the period).

Regarding the ***Special Grant***:

- **2022**: in compliance with the results approved on April 26, 2022, 601,936 shares were transferred to beneficiaries in July, of which 579,451 relating to the original volume accrued and 22,485 shares as a result of the dividends distributed during the period.
- **2023**: in compliance with the results approved on May 8, 2023, in July 1,038,041 shares were transferred to beneficiaries, of which 829,161 relating to the original volume accrued, 131,775 granted according to the degree to which objectives had been achieved and 77,105 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in July of the amount corresponding to 92,254 shares (76,087 relating to the original volume accrued, 9,314 acknowledged according to the degree to which the objectives had been achieved and 6,853 due to dividends distributed during the period).

As of December 31, 2023, 737,521 of a total of 3,431,610 allocated shares had been canceled due to beneficiaries leaving the Company. This left a total of 821,942 shares that could be vested at the end of the period.

Year 2022

On April 26, 2022, plan beneficiaries were granted the right to receive a total of 1,227,712 shares, of which 927,428 performance shares restricted to performance conditions and with gradual vesting over 3 years and 300,284 restricted shares, with a vesting period of 3 years.

2023: in compliance with the results approved on May 8, 2023, in July 392,460 shares were transferred to beneficiaries, of which 264,305 relating to the original volume accrued, 110,928 granted according to the degree to which objectives had been achieved and 17,227 shares as a result of the dividends distributed during the period. At December 31, 2023, 192,105 shares had been canceled due to beneficiaries leaving the company. 392,460 shares were transferred to the beneficiaries, leaving a total of 771,302 shares that could be vested at the end of the period.

Year 2023

On July 31, 2023, plan beneficiaries were granted the right to receive a total of 1,560,993 shares, of which 1,189,900 performance shares restricted to performance conditions and with gradual vesting over 3 years and 371,093 restricted shares, with a vesting period of 3 years.

At December 31, 2023, the first vesting period had not yet concluded and 25,389 shares had been canceled due to beneficiaries leaving the Company.

Calculation of fair value measurement of the granted options and rights

Parameters used to determine the fair value – TIM S.p.A.

Plans/Parameters	Exercise price (euros)	Nominal value (euros) (1)	Volatility (2)	Duration	Expected dividends (euros) (3)	Risk-free interest rate (4)
2020-2022 LTI Plan – Second Cycle (2021-23)	—	0.42	n.a.	3 years	0.01	-0.720% at 3 years
SOP 2022-2024	0.424	—	34.6%	3 years	0.02	0.479% at 3 years

(1) Arithmetic mean of the official prices of the Shares recognized starting from the stock market trading day prior to that of assignment until the thirtieth previous ordinary calendar day (both included) on the Electronic Stock Exchange organized and managed by Borsa Italiana S.p.A., calculated using only the days to which the prices taken as the basis of calculation refer as the divisor, cut off at the second decimal.

(2) Based on the performance objectives of the plan, the TIM share volatility values were considered and, if necessary, also those of the securities of the major companies of the telecommunications sector ("peer basket").

(3) Dividends have been estimated on the basis of Bloomberg data.

(4) The risk-free interest rate refers to the rate of government bonds of the Federal Republic of Germany (market benchmark for transactions in euros) on the valuation date with a maturity consistent with the reporting period.

Parameters used for the assignments of TIM S.A.

Plans/Parameters	Nominal value (reais)	Duration
PS/RS Plan 2018	14.41	3 years
PS/RS Plan 2019	11.28	3 years
PS/RS Plan 2020	14.40	3 years
PS/RS Plan 2021	12.95	3 years
PS/RS Plan 2022	13.23	3 years
PS/RS Plan 2023	12.60	3 years

Effects on the income statement and statement of financial position

Equity compensation plans which call for payment in equity instruments are recorded at fair value (except for the 2018 Plan of TIM S.A.) which represents the cost of such instruments at the grant date and is recorded in the separate income statements under "Employee benefits expenses" over the period between the grant date and the vesting period with a contra-entry to the equity reserve ("Other equity instruments"). For the portion of the plans that provide for the payment of compensation in cash, the amount is recognized in liabilities as a contra-entry to "Employee benefits expenses". Equity compensation plans which call for payment in equity instruments did not have significant impacts either on the income statements or the statements of financial position or of cash flows of the TIM Group at December 31, 2023.

NOTE 42

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of 2023 non-recurring events and transactions on the equity, profit, net financial debt and cash flows of the TIM Group is set out below in accordance with Consob Communication DEM/6064293 of July 28, 2006. The non-recurring effects on Equity and Profit (loss) for the year are shown net of tax effects.

(million euros)		Equity	Profit (loss) for the year	Net financial debt carrying amount	Cash flows (*)
Carrying amount	**(a)**	**17,513**	**(1,107)**	**25,776**	**(661)**
Other income		(11)	(11)	20	(20)
Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects and other expenses		(42)	(42)	39	(39)
Employee benefits expenses - Charges connected to corporate reorganization/restructuring and other costs		(477)	(477)	389	(389)
Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, other provisions and charges		(126)	(126)	121	(121)
Net losses on disposals of non-current assets:		(4)	(4)	(3)	3
Other income (expenses) from investments		26	26	—	—
Other finance income		(2)	(2)	—	—
Other finance expenses		(34)	(34)	—	—
Total non-recurring effects	**(b)**	**(670)**	**(670)**	**566**	**(566)**
Income/(Expenses) relating to Discontinued operations	**(c)**	**—**	**—**	**—**	**—**
Figurative amount – financial statements	**(a–b-c)**	**18,183**	**(437)**	**25,210**	**(95)**

(*) Cash flows refer to the increase (decrease) in Cash and cash equivalents during the year.

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

(million euros)	2023	2022
Other income:		
Recovery of operating expenses	(11)	23
Acquisition of goods and services, Change in inventories:		
Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects and other costs	(44)	(56)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(484)	(572)
Other operating expenses:		
Expenses related to disputes and regulatory sanctions and potential liabilities related to them, other provisions and charges	(134)	(77)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(673)**	**(682)**
Gains (losses) on disposals of non-current assets:		
Net losses on disposals of non-current assets:	(3)	—
Impact on Operating profit (loss) (EBIT)	**(676)**	**(682)**
Other income (expenses) from investments:		
Net capital gain on corporate transactions	46	203
Finance income:		
Other finance income	(4)	—
Finance expenses:		
Other finance expenses	(35)	(11)
Impact on profit (loss) before tax from continuing operations	**(669)**	**(490)**
Tax realignment pursuant to Decree Law 104/2020 Art. 110	—	(1,964)
Income tax expense on non-recurring items	(1)	17
Impact on Profit (loss) for the year	**(670)**	**(2,437)**

NOTE 43

POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with Consob Communication DEM/6064293 of July 28, 2006, a statement is made to the effect that in 2023 the TIM Group did not pursue any atypical and/or unusual transactions, as defined by that Communication.

NOTE 44

OTHER INFORMATION

(a) Exchange rates used to translate the financial statements of foreign operations(*)

		Year-end exchange rates (statements of financial position)		Average exchange rates for the year (income statements and statements of	
(local currency against 1 euro)		12.31.2023	12.31.2022	2023	2022
Europe					
BGN	Bulgarian Lev	**1.95580**	1.95580	**1.95580**	1.95580
CZK	Czech koruna	**24.72400**	24.11600	**24.00227**	24.56358
CHF	Swiss franc	**0.92600**	0.98470	**0.97174**	1.00475
TRY	Turkish lira	**32.65310**	19.96490	**25.72788**	17.40879
GBP	Pound sterling	**0.86905**	0.88693	**0.86984**	0.85268
RON	Romanian leu	**4.97560**	4.94950	**4.94676**	4.93133
RUB	Russian ruble	**99.55840**	77.95160	**92.48971**	73.30944
North America					
USD	U.S. dollar	**1.10500**	1.06660	**1.08157**	1.05335
Latin America					
VES	Venezuelan bolivar	**39.62740**	18.04390	**30.78872**	6.87673
BOB	Bolivian boliviano	**7.64290**	7.38750	**7.46531**	7.25140
PEN	Peruvian nuevo sol	**4.09640**	4.08040	**4.04772**	4.03697
ARS	Argentine peso	**894.53730**	189.69730	**319.80098**	137.13626
CLP	Chilean peso	**974.79000**	909.36000	**908.72842**	917.46919
COP	Colombian peso	**4,287.88000**	5,194.90000	**4,672.59585**	4,474.96042
BRL	Brazilian real	**5.34964**	5.56520	**5.40158**	5.43993
Other countries					
ILS	Israeli shekel	**3.99930**	3.75540	**3.98749**	3.53485
NGN	Nigerian naira	**1,008.82030**	493.65090	**693.02751**	449.06170

(*) Source: Data processed by the European Central Bank, Reuters and major Central Banks.

(b) Research and Development

Costs for research and development activities are represented by external costs, dedicated employee benefits expenses and depreciation and amortization. Details are as follows:

(million euros)	2023	2022
Research and development costs expensed during the year	48	49
Capitalized development costs	1,016	906
Total research and development costs (expensed and capitalized)	**1,064**	**955**

The increase of 109 million euros compared to 2022 is mainly attributable to the consolidation of activities on the 5G network in relation to NRRP projects.

In the 2023 Separate Consolidated Income Statement, a total of 866 million euros of amortization expense was recorded for development costs, capitalized during the year and in prior years.

Research and development activities carried out by the TIM Group are described in detail in the Report on Operations ("Innovation, Research and Development" section).

(c) Lease income

The TIM Group has entered into lease contracts on land and buildings for office and industrial use, mobile network infrastructure sites and network infrastructure; at December 31, 2023 and at December 31, 2022 the lease installments at nominal value still to be collected totaled:

(million euros)	12.31.2023	12.31.2022
Within next year	97	91
From 1 to 2 years after the end of the reporting period	46	39
From 2 to 3 years after the end of the reporting period	41	38
From 3 to 4 years after the end of the reporting period	39	34
From 4 to 5 years after the end of the reporting period	37	33
Beyond 5 years after the end of the reporting period	34	30
Total	**294**	**265**

(d) Public Funds

Italian Law 124/2017 requires that information on subsidies, contributions, paid assignments and economic benefits of any kind received from Italian public administrations be provided. In this regard, the following table shows the disbursements collected by the TIM Group in the years 2023 and 2022:

Distributing entity	Area of intervention	Received in 2023 (million euros)	Received in 2022 (million euros)
Fondimpresa/Fondirigenti	training	3	3
Infratel	construction of network infrastructure	758 (*)	3
Ministry of Enterprises and Made in Italy (formerly the Ministry of Economic Development)[1]	research and innovation	3	3
ANPAL	training	3	—
Other[2]		1	1
Total[3]		**768**	**10**

(*) include 488 million euros collected on January 2, 2024.
(1) 2023 – includes ChAALenge Project
(2) 2023 – MUR; Sector affected: research
(3) 2022 - includes 0.7 million euros in returns

TIM S.p.A. has been included among the beneficiaries of the Ministry Decree (Enterprise and Made in Italy) of March 5, 2018 and the ChAALenge innovation agreement of March 17, 2021 for a joint Research and Development project (Prog. no. F/180016/01-05/X43 - CUP B49J22002110005).

The project's "Smart Everything Everywhere" mode; aims to improve the quality of life of frail people in every environment by building an integrated system to support frailty and aging.

The project was rolled out between January 1, 2021 and December 31, 2023. In 2023, TIM received contributions of 366,600.33 euros.

(e) Directors' and statutory auditors' remuneration

Total remuneration due for 2023 to the directors and statutory auditors of TIM S.p.A. for the performance of these functions at the Parent and in other consolidated companies totaled 4.166 million euros for directors and 0.610 million euros for statutory auditors. In reference to the compensation to which the Directors are entitled, it should be noted that the amount was calculated by considering only compensation for corporate offices (in primis those under Article 2389, subsections 1 and 3 of the Italian Civil Code), thus excluding amounts relating to any employment relationship with the companies of the Group and any non-monetary fringe benefits; for a complete and detailed description of the compensation paid to the directors and statutory auditors, reference should be made to the Compensation Report, available at the Company's headquarters and on the corporate website at the following address: gruppotim.it/assemblea.

(f) Summary schedule of fees due to the audit firm and other firms in its network

The following schedule reports the fees due to EY S.p.A. and to the other firms in the EY network for the audit of the 2023 financial statements, and the fees referring to 2023 for other audit and review services, and for other services besides audit rendered to the companies of the TIM Group from EY S.p.A. and other firms in the EY network. The out-of-pocket expenses incurred for these services in 2023 are also shown.

	EY S.p.A.			Other entities of the EY network			
(euros)	TIM S.p.A.	Company subsidiaries	TIM Group	TIM S.p.A.	Company subsidiaries	TIM Group	Total EY network
Audit services	2,933,822	2,397,473	5,331,295	—	2,395,156	2,395,156	7,726,451
Audit services with the issue of certification	223,094	—	223,094	—	43,195	43,195	266,289
Certification of compliance of the Consolidated Non-Financial Statement	82,239	—	82,239	—	52,022	52,022	134,261
Other services	37,000	—	37,000	—	—	—	37,000
Total 2023 fees due for auditing and other services to the EY network	**3,276,155**	**2,397,473**	**5,673,628**	**—**	**2,490,373**	**2,490,373**	**8,164,001**
Out-of-pocket expenses	50,490	25,630	76,120	—	29,157	29,157	105,277
Total	**3,326,645**	**2,423,103**	**5,749,748**	**—**	**2,519,530**	**2,519,530**	**8,269,278**

NOTE 45
EVENTS AFTER DECEMBER 31, 2023

TIM: received an offer from the Ministry of Economy and Finance for the purchase of Sparkle

On January 31, 2024, TIM received an offer from the Ministry of Economy and Finance to purchase Sparkle. The offer also references the possibility of negotiating another option, with possible adjustments to the contractual conditions, in the event that TIM retains a minority stake for a certain period of time and supports the implementation of the strategic plan.

TIM's Board of Directors met on February 7, 2024 to examine the offer. Deeming the offer to be unsatisfactory, the Board mandated the CEO to negotiate a different option with the Ministry with adjustments to the contractual conditions whereby TIM would retain a stake in the company for a certain period of time and support the implementation of the strategic plan.

TIM: clarifications on the seizure by the Milan Public Prosecutor's Office

On February 29, 2024, TIM S.p.A. (hereinafter also referred to as "the Company") was served a seizure order issued on February 8, 2024 by the Milan Preliminary Investigation Judge, ordering the preventive seizure of sums held in current accounts in the Company's name, for a total amount of €248,941,282.30.

The measure relates to an alleged cyber fraud (Article 640-ter of the Criminal Code) regarding "VAS" (Value Added Services) provided by third-party companies called CSPs ("Content Service Provider").

In this regard, it should be noted that TIM S.p.A. is not under investigation in the proceedings in question, and that the offence in dispute is not included among those which, under Legislative Decree no. 231 of 2001, could theoretically constitute a basis for an administrative offence attributable to the Company.

With specific reference to TIM S.p.A., evidence of a possible instance of fraud in this area only emerged in 2019, due to the significant number of disallowances of VAS services recorded in that year.

During this period, the Company reported these events to the Public Prosecutor's Office in Rome. The resulting proceedings – currently in the process of being dismissed – confirmed the Company's status as victim of the offence.

Moreover, the Company promptly took all necessary actions to neutralize the phenomenon of illicit activations of VAS services.

TIM, through its lawyers, is examining this matter and considering the most appropriate legal steps.

NOTE 46
LIST OF COMPANIES OF THE TIM GROUP

In accordance with Consob Communication DEM/6064293 dated July 28, 2006, the list of companies is provided herein.

The list is divided by type of investment, consolidation method and operating segment.

The following is indicated for each company: name, head office, country and share capital in the original currency. In addition to the percentage ownership of share capital, the percentage of voting rights in the ordinary shareholders' meeting, if different from the percentage holding of share capital, and which companies hold the investment.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
PARENT COMPANY						
TIM S.p.A.	MILAN	EUR	11,677,002,855			
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
DOMESTIC BU						
CD FIBER S.r.l. (design, construction, maintenance and management of network infrastructure services and high-speed electronic communication systems)	ROME	EUR	50,000	100.0000		TIM S.p.A.
FIBERCOP S.p.A. (infrastructures, networks, passive cabled access services to the premises of end users to be offered to TLC operators throughout Italy)	MILAN	EUR	10,000,000	58.0000		TIM S.p.A.
GLOBAL SPACE TRE S.r.l. (in liquidation) (ICT services)	ROME	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
MED 1 SUBMARINE CABLES Ltd (construction and management of the submarine cable lev1)	RAMAT GAN (ISRAEL)	ILS	9,607,583	100.0000		TELECOM ITALIA SPARKLE S.p.A.
MINDICITY S.r.l. SOCIETA' BENEFIT (design, development, implementation, installation, management and marketing of software, hardware, electronic IT systems and telecommunications systems)	CASALMAGGIORE (CREMONA)	EUR	10,000	70.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
NOOVLE AI S.r.l. (in liquidation) (ICT services)	ROVERETO (TRENTO)	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE INTERNATIONAL SAGL (ICT services)	PREGASSONA (SWITZERLAND)	CHF	20,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE MALTA Ltd (ICT services)	GZIRA (MALTA)	EUR	10,000	90.0000		NOOVLE INTERNATIONAL SAGL
NOOVLE S.p.A. SOCIETA' BENEFIT (design, implementation and management of infrastructures and data center services)	MILAN	EUR	1,000,000	100.0000		TIM S.p.A.
NOOVLE SICILIA S.c.a.r.l. (in liquidation) (ICT services)	PALERMO	EUR	50,000	80.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
OLIVETTI PAYMENT SOLUTIONS S.p.A. (in liquidation) (management of equity investments, study and research activities, commercial, industrial, financial movable and real estate activities)	MILAN	EUR	50,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
OLIVETTI S.p.A. SOCIETA' BENEFIT (production and sale of office equipment and information technology services)	IVREA (TURIN)	EUR	11,000,000	100.0000		TIM S.p.A.
PANAMA DIGITAL GATEWAY S.A. (telecommunications services and data center management)	PANAMA CITY (PANAMA)	USD	10,000	60.0000		TELECOM ITALIA SPARKLE S.p.A.
STAER SISTEMI S.r.l. (activities connected with the production and marketing of electronic systems and programs and activities connected with energy efficiency plants)	ROME	EUR	419,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TELECOM ITALIA SPARKLE S.p.A. (completion and management of telecommunications services for public and private use)	ROME	EUR	200,000,000	100.0000		TIM S.p.A.
TELECOM ITALIA TRUST TECHNOLOGIES S.r.l. (other operations related to non-classified IT services)	POMEZIA (ROME)	EUR	7,000,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TELECOM ITALIA VENTURES S.r.l. (investment holding company)	MILAN	EUR	10,000	100.0000		TIM S.p.A.
TELECONTACT CENTER S.p.A. (telemarketing services)	NAPLES	EUR	3,000,000	100.0000		TIM S.p.A.
TELEFONIA MOBILE SAMMARINESE S.p.A. (development and management of mobile telecommunications plants and services)	BORGO MAGGIORE (SAN MARINO)	EUR	78,000	51.0000		TIM SAN MARINO S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TELENERGIA S.r.l. (import, export, purchase, sale and trade of electricity)	ROME	EUR	100,000	100.0000		TIM S.p.A.
TELSY S.p.A. (production, installation, maintenance, reconditioning and sale of terminals, radio telephones, telecommunications and electronic systems in general)	TURIN	EUR	5,390,000	100.0000		TIM S.p.A.
TI SPARKLE AMERICAS Inc. (managed bandwidth services)	MIAMI (USA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ARGENTINA S.A. (managed bandwidth services)	BUENOS AIRES (ARGENTINA)	ARS	9,998,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE AUSTRIA GmbH (telecommunications services)	VIENNA (AUSTRIA)	EUR	2,735,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE BELGIUM S.P.R.L. - B.V.B.A. (telecommunications services)	BRUSSELS (BELGIUM)	EUR	2,200,000	99.9967 0.0033		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	71,563,866	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE BRASIL TELECOMUNICAÇÕES Ltda (managed bandwidth services)	RIO DE JANEIRO (BRAZIL)	BRL	69,337,363	99.9999 0.0001		TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda TI SPARKLE AMERICAS Inc.
TI SPARKLE BULGARIA EOOD (telecommunications)	SOFIA (BULGARIA)	BGN	100,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE CHILE S.p.A. (managed bandwidth services)	SANTIAGO (CHILE)	CLP	5,852,430,960	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE COLOMBIA Ltda (managed bandwidth services)	BOGOTA (COLOMBIA)	COP	12,635,774,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE CZECH S.R.O. V LIKVIDACI (in liquidation) (telecommunications services)	PRAGUE (CZECH REPUBLIC)	CZK	6,720,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE FRANCE S.A.S. (installation and management of telecommunications services for fixed network and related activities)	PARIS (FRANCE)	EUR	18,295,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GERMANY GmbH (telecommunications services)	FRANKFURT (GERMANY)	EUR	25,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GREECE S.A. (telecommunications)	ATHENS (GREECE)	EUR	368,760	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ISRAEL Ltd (international wholesale telecommunication services)	RAMAT GAN (ISRAEL)	ILS	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NETHERLANDS B.V. (telecommunications services)	AMSTERDAM (NETHERLANDS)	EUR	18,200	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NORTH AMERICA, Inc. (telecommunications and promotional services)	NEW YORK (USA)	USD	15,550,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PANAMA S.A. (managed bandwidth services)	PANAMA CITY (PANAMA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PERU' S.A. (managed bandwidth services)	LIMA (PERU)	PEN	57,101,788	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE PUERTO RICO LLC (managed bandwidth services)	SAN JUAN (PUERTO RICO)	USD	3,050,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ROMANIA S.r.l. (telecommunications services)	BUCHAREST (ROMANIA)	RON	3,021,560	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE RUSSIA LLC (telecommunications Services)	MOSCOW (RUSSIA)	RUB	8,520,000	99.0000 1.0000		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE SINGAPORE Pte.Ltd (telecommunications services)	SINGAPORE	USD	5,121,120	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE NORTH AMERICA, Inc.
TI SPARKLE SLOVAKIA S.R.O. V LIKVIDÁCII (in liquidation) (telecommunications services)	BRATISLAVA (SLOVAKIA)	EUR	300,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE SPAIN TELECOMMUNICATIONS S.L. (telecommunications services)	MADRID (SPAIN)	EUR	1,687,124	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ST. CROIX LLC (managed bandwidth services)	VIRGIN ISLANDS (USA)	USD	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE SWITZERLAND GmbH (telecommunications services)	ZURICH (SWITZERLAND)	CHF	2,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE TURKEY TELEKOMÜNIKASYON ANONIM SIRKETI (telecommunications services)	ISTANBUL (TURKEY)	TRY	65,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE UK Ltd (value-added and networking services)	LONDON (UNITED KINGDOM)	EUR	3,983,254	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE VENEZUELA C.A. (managed bandwidth services)	CARACAS (VENEZUELA)	VES	10	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TIM MY BROKER S.r.l. (insurance brokerage)	ROME	EUR	10,000	100.0000		TIM S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TIM RETAIL S.r.l. (sale of fixed and mobile telecommunications products and services and all analog and digital broadcasting equipment)	MILAN	EUR	2,402,241	100.0000		TIM S.p.A.
TIM SAN MARINO S.p.A. (San Marino telecommunications management)	BORGO MAGGIORE (SAN MARINO)	EUR	1,808,000	100.0000		TIM S.p.A.
TIS LAGOS LIMITED (telecommunications services)	LAGOS (NIGERIA)	NGN	10,000,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TS-WAY S.r.l. (safeguarding and protecting the company's IT assets in the field of IT security)	ORVIETO (TERNI)	EUR	11,364	100.0000		TELSY S.p.A.
BRAZIL BU						
TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	8,227,356,500	99.9999 0.0001		TELECOM ITALIA FINANCE S.A. TIM S.p.A.
TIM S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	13,477,890,508	66.5882 0.0005	66.5885	TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. TIM S.A.
OTHER OPERATIONS						
OLIVETTI DEUTSCHLAND GmbH (sale of office equipment and supplies)	NÜRNBERG (GERMANY)	EUR	25,600,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
OLIVETTI UK Ltd (sale of office equipment and supplies)	NORTHAMPTON (UNITED KINGDOM)	GBP	6,295,712	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TELECOM ITALIA CAPITAL S.A. (financial company)	LUXEMBOURG	EUR	2,336,000	100.0000		TIM S.p.A.
TELECOM ITALIA FINANCE S.A. (financial company)	LUXEMBOURG	EUR	1,818,691,979	100.0000		TIM S.p.A.
TELECOM ITALIA LATAM PARTICIPAÇÕES E GESTÃO ADMINISTRATIVA Ltda (telecommunications and promotional services)	SAO PAULO (BRAZIL)	BRL	118,925,804	99.9997		TIM S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD						
AREE URBANE S.r.l. (in bankruptcy) (real estate management)	MILAN	EUR	100,000	32.6200		TIM S.p.A.
DAPHNE 3 S.p.A. (acquisition, holding, management and disposal of shareholdings in INWIT)	MILAN	EUR	100,000	10.0000	(*)	TIM S.p.A.
I-SYSTEMS S.A. (telecommunications systems)	RIO DE JANEIRO (BRAZIL)	BRL	1,794,287,995	49.0000		TIM S.A.
ITALTEL S.p.A. (telecommunications systems)	ROME	EUR	5,692,956	17.7200	(*)	TIM S.p.A.
NORDCOM S.p.A. (application service provider)	MILAN	EUR	5,000,000	42.0000		TIM S.p.A.
PEDIUS S.r.l. (Specialized telecommunications applications, telephone line telecommunications, VoIP services)	ROME	EUR	181	16.5553	(*)	TELECOM ITALIA VENTURES S.r.l.
POLO STRATEGICO NAZIONALE S.p.A. (design, preparation, set-up and provision of a high-reliability national data network infrastructure for public administration)	ROME	EUR	3,000,000	45.0000		TIM S.p.A.
QTI S.r.l. (development, production and marketing of innovative products and services with high technological value)	FLORENCE	EUR	19,608	49.0000		TELSY S.p.A.
SMART STRUCTURES SOLUTIONS S.r.l. (engineering activities)	ROME	EUR	15,000	36.0000		STAER SISTEMI S.r.l.
TIGLIO I S.r.l. (in liquidation) (real estate management)	MILAN	EUR	100,000	47.8020		TIM S.p.A.
TIMFIN S.p.A. (financing to the general public, including financing in the form of personal and consumer loans)	TURIN	EUR	40,000,000	49.0000		TIM S.p.A.
W.A.Y. S.r.l. (development and marketing of security and logistics geolocation products and systems)	TURIN	EUR	136,383	40.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
WEBIDOO S.p.A. (ICT services)	MILAN	EUR	242,357	10.0195	(*)	TELECOM ITALIA VENTURES S.r.l.
WESCHOOL S.r.l. (research and development, commercialization and patenting of all intellectual works related to technology, information technology and telecommunications)	MILAN	EUR	25,000	15.0160	(*)	TELECOM ITALIA VENTURES S.r.l.

(*) Associated company over which TIM S.p.A. directly or indirectly exercises significant influence pursuant to IAS 28 (*Investments in associates and joint ventures*).

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
OTHER MAJOR INVESTMENTS						
CONSORZIO ITALIAN BROADCASTING ADVANCE SOLUTIONS (I.B.A.S.) (consultancy services for the management of joint promotional activities and related public relations of consortium members)	DESENZANO DEL GARDA (BRESCIA)	EUR	16,000	12.5000		STAER SISTEMI S.r.l.
DAHLIA TV S.p.A. (in liquidation) (pay-per-view services)	ROME	EUR	11,318,833	10.0786		TIM S.p.A.
FIN.PRIV. S.r.l. (financial company)	MILAN	EUR	20,000	14.2850		TIM S.p.A.
MIX S.r.l. (internet service provider)	MILAN	EUR	2,500,000	11.0937		TIM S.p.A.
WIMAN S.r.l. (in liquidation) (development, management and implementation of platforms for WI-Fi authentication on social media)	MATTINATA (FOGGIA)	EUR	22,233	13.4935		TELECOM ITALIA VENTURES S.r.l.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION 11971 DATED MAY 14, 1999, AS AMENDED

1. We, the undersigned, Pietro Labriola, as Chief Executive Officer, and Adrian Calaza Noia, as Manager responsible for preparing TIM S.p.A. financial reports, certify, having also considered the provisions of Article 154-bis, subsections 3 and 4, of Italian Legislative Decree 58 of February 24, 1998:

   - the adequacy in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the 2023 fiscal year.

2. TIM has adopted the Internal Control – Integrated Framework Model (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission, as its framework for the establishment and assessment of its internal control system, with particular reference to the internal controls for the preparation of the financial statements.

3. The undersigned also certify that:

   3.1. the Consolidated Financial Statements at December 31, 2023:

   a) have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of July 19, 2002 (International Financial Reporting Standards – IFRS), as well as the legislative and regulatory provisions in force in Italy, including, in particular, the measures enacted for the implementation of Article 9 of Italian Legislative Decree 38 of February 28, 2005;

   b) agree with the results of the accounting records and entries;

   c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Company and its consolidated subsidiaries;

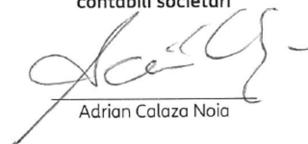
   3.2. The Report on Operations contains a reliable operating and financial review of the Company and of the consolidated Group, as well as a description of their exposure to the main risks and uncertainties. The Report on Operations also contains a reliable analysis of information concerning significant related-party transactions.

March 6, 2024

L'Amministratore Delegato

Pietro Labriola

Il Dirigente preposto alla redazione dei documenti contabili societari



Adrian Calaza Noia

INDEPENDENT AUDITORS' REPORT

EY S.p.A.
Via Meucci, 5
10121 Torino

Tel: +39 011 5161611
Fax: +39 011 5612554
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
TIM S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TIM Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of TIM S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
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Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Impairment test of goodwill – Domestic	
As of December 31, 2023, goodwill amounts to Euro 19,170 million and refers for Euro 18,153 million to the Domestic cash generating unit ("CGU") and for Euro 1.017 million to the Brazil CGU. The processes and methodologies used by the Group to evaluate and determine the recoverable amount of each CGU, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the forecast of future cash flows and to the estimate of the long-term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgment required and the complexity of the assumptions applied in estimating the recoverable amount of goodwill, we considered this area a key audit matter. Disclosures related to the assessment of goodwill are reported in note 5 "Goodwill" and in note 2 "Accounting policies" in the paragraphs "Intangible assets - Goodwill"," Impairment of intangible, tangible and rights of use assets - Goodwill" and "Use of estimates".	Our audit procedures in response to the key audit matter included, among others: ► the assessment of the processes implemented by the Group with reference to the criteria and methodology of the impairment test; ► the validation of the CGUs perimeter and the test of the allocation of the carrying value of the Group's assets to each CGU; ► the assessment of the reasonableness of the future cash flows forecasts, including comparisons with sector data and forecasts, utilized in the fair value determination; ► the assessment of the consistency of the future cash flows forecasts of each CGU with the Group business plan; ► the assessment of forecasts in light of their historical accuracy; ► the assessment of the reasonableness of long-term growth rates and discount rates. The procedures referred to in the previous points also concerned the analysis of the assessments performed by the independent experts appointed by the Group. In performing our analysis, we involved our experts in valuation techniques, who performed an independent recalculation and carried out sensitivity analyses on the key assumptions in order to determine which changes in the assumptions could materially affect the recoverable amount. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the valuation of goodwill.

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Revenue recognition

TIM Group's revenues amounted to Euro 16,296 million as of December 31, 2023, and refer almost entirely to the telecommunications services rendered to retail and wholesale customers (other telecommunications operators).

Procedures over the accounting of revenues required significant focus in the context of our audit procedures due to (i) a highly complex accounting process due to the number of commercial offers, the number of underlying application systems and the related reconciliation processes, (ii) the presence of certain manual phases in the revenue recognition process, in particular for services provided to large customers and (iii) the complexity in estimating commitments connected to certain contracts.

The Group provides the relative disclosures in Note 26 "Revenues" of the consolidated financial statements.

Our audit procedures in response to the key audit matter included, among others:

- an understanding of the processes underlying the revenue recognition;
- the understanding and verification of the design and operating effectiveness of the relevant controls over the revenue recognition process;
- the analysis of the application systems supporting the revenue recognition process;
- the assessment that the accounting policy adopted for the main commercial offers is consistent with the provisions of the reference accounting standard;
- the analysis, on a sample basis, of some significant transactions relating to invoices issued and invoices to be issued, in order to verify that the contractual data and the evidence supporting the actual service rendered and / or goods transferred were consistent with the accounting policy adopted;
- the analysis of the valuation of certain contracts identified as onerous contracts;
- the analysis of the reconciliation of the management accounts with the accounting records in connection with the main balance sheet items related to customer relations;
- the analysis of the manual journal entries.

We also required external confirmations for a sample of customers and transactions.

Lastly, we reviewed the adequacy of the disclosure provided in the notes to the consolidated financial statements with regards to the revenue recognition process.

Regulatory disputes

As of December 31, 2023, TIM Group is involved in several regulatory disputes in progress, many of which are characterized by

Our audit procedures in response to the key audit matter included, among others:

- an understanding of the process put in place

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significant counterparty requests. The main disputes concern (i) the 28-day billing proceeding, in which AGCOM ordered TIM to reimburse customers for unused service days, (ii) the I820 proceeding in which AGCM fined TIM for a conduct restricting market competition, (iii) the I857 proceeding for a possible agreement restricting market competition in connection with the partnership with DAZN and (iv) the A514, and the related "follow-on" proposed by some other OLOs, procedure in which the AGCM charged TIM with conduct aimed at hindering the entry on the market of a new operator. The assessment of the disputes was carried out by Management, as of 31 December 2023, based on the opinion of the external lawyers, as well as considering the latest information available. The estimation of the risks connected to the disputes in which the Group is involved, requires a high degree of judgment by the management and, also considering the complexity of the regulatory framework, we considered this area a key audit matter. Disclosures related to the assessment of the risks relating to the regulatory disputes in which the Group is involved is reported in note 25 "Disputes and pending legal actions, other information, commitments and guarantees".	by Management for assessing disputes, accompanied by test of the effectiveness of the internal controls relevant for this process; ► inquiries with Management regarding the main assumptions made in connection with disputes; ► testing of the "Legal Suite" database in order to assess the completeness of the proceedings in which the company is involved; ► the analysis of the legal opinions prepared by external consultants, based on which Management has based its assessments; ► the analysis of the responses received from external lawyers following our external confirmations procedures. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements.
Fiscal disputes in Brazil	
As of December 31, 2023, the TIM Group is involved in several disputes with the Brazilian tax authorities. The maximum potential liability associated with these disputes, as at December 31, 2023, amounts to Euro 3.6 billion. With reference to this potential liability, the Group recognized a provision of Euro 125 million with regards to the risks deemed probable. The assessment of the risk related to the tax disputes in Brazil in which the Group is involved, requires a high degree of judgment by the Management and, also considering the	Our audit procedures in response to the key audit matter included, among others: ► an understanding of the process put in place by Management for assessing disputes, accompanied by test of the effectiveness of the controls relevant for this process; ► inquiries with Management regarding the main assumptions made in connection with disputes; ► the analysis of the legal opinions prepared by external consultants, based on which Management has based its assessments;

significance of the amounts involved, we considered it to be a key audit matter.

Disclosures related to the assessment of the risks relating to the fiscal disputes in which the Group is involved is reported in note 25 "Disputes and pending legal actions, other information, commitments and guarantees".

- the analysis of the responses to our external confirmation procedures received from external lawyers, also with the involvement of our experts in tax disputes.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the disputes in which the Group is involved, based on their compliance with the international accounting standards and their consistency with the results of our audit procedures.

Recoverability of deferred tax assets

As of December 31, 2023, deferred tax assets amount, net of impairment, to Euro 701 million in the consolidated financial statements.

Deferred tax assets refer to the temporary deductible differences between the book and fiscal values of assets and liabilities in the financial statements.

The recoverability of the carrying amount of the deferred tax assets is subject to management's evaluation and is based on the estimations of the future taxable income expected in the years in which they will be reversed.

The processes and methodologies used to evaluate and determine the recoverable amount of these assets, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the consistency of the forecasts of future taxable income expected by the Group with those included in the business plan.

Considering the level of judgment required and the complexity of the assumptions applied in estimating future taxable amount used to determine the recoverability of the deferred tax assets, we considered this area a key audit matter.

Disclosures related to the assessment of recoverability of deferred tax assets are reported in note 2 "Accounting policies" in the paragraphs "Income tax expense (current and deferred)" and "Use of estimates" and in note

Our audit procedures in response to the key audit matter included, among others:

- the assessment of the reasonableness of the assumptions underlying the estimation of future taxable income and the reconciliation with the figures included in the Group's business plan;
- the assessment of the reasonableness of the accuracy of the forecasts compared with prior periods;
- the assessment of the Management calculations.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the recoverability of deferred tax assets.

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12 “Income tax expense (current and deferred)".

Non-current assets held for sale/Discontinued operations

In execution of the resolutions adopted by the Board of Directors in November 2023, TIM S.p.A. signed the “Transaction Agreement” whit KKR which regulates:

- the contribution by TIM S.p.A. of a business unit - consisting of activities relating to the primary network, wholesale activity and the entire shareholding in the subsidiary Telenergia S.r.l. - in FiberCop S.p.A., a company that already manages the activities relating to the fiber and copper secondary network; and
- the simultaneous purchase by Optics Bidco (an entity controlled by KKR) of the entire shareholding held by TIM S.p.A. in FiberCop S.p.A. itself (also referred to as “Net.Co”), following the aforementioned contribution.

The transaction agreement provides that on the closing date a Master Services Agreement will be signed which will regulate the terms and conditions of the services that will be provided between NetCo and TIM S.p.A. following the completion of the transaction.

Once these activities are completed and the conditions precedent are fulfilled, NetCo will be classified by TIM as an Asset held for sale in accordance with IFRS 5.

Considering the level of judgment required and the complexity of the assumptions applied in assessing the potential impacts of the transaction, we considered this area a key audit matter.

Disclosures related to the transaction are reported in note 2 "Accounting policies" in the paragraph “Non-current assets held for sale/Discontinued operations".

Our audit procedures in response to the key audit matter included, among others:

- the analysis of contracts and documentation prepared by TIM and its Advisors to support management's decision-making process;
- the analysis of the procedure implemented by the Company for the identification of the perimeter subject to the transaction and the consistency of the assumptions used with respect to the criteria and methodology for the identification of the CGUs for the purposes of the impairment test;
- verifying the reasonableness of the assumptions used and the forecasts formulated regarding the effects of the transaction, once completed, in order to verify that, where appropriate, they have been reflected in the financial statements as at 31 December 2023;

In performing our analysis, we involved our experts in valuation techniques in order to verify the consistency between the analysis carried out by management and the assumptions used for the impairment test of the Domestic CGU.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the financial statements.

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Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company TIM S.p.A. or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of TIM S.p.A., in the general meeting held on March 29, 2019, engaged us to perform the audits of the separate and consolidated financial statements for each of the years ending December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of TIM S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express

an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML and have been marked-up, in all material aspects format in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of TIM S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of TIM Group as at December 31, 2023, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of TIM Group] as at December 31 ,2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of TIM Group as at December 31, 2023, and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

EY
Building a better working world

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of TIM S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Turin, March 26, 2024

EY S.p.A.
Signed by: Ettore Abate, Auditor

As disclosed by the Directors, the accompanying consolidated financial statements of TIM S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

TIM Group Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

(million euros)		Notes	12/31/2022	of which with related parties	12/31/2021	of which with related parties
Non-current assets						
Intangible assets						
Goodwill		5)	19,111	—	18,568	—
Intangible assets with a finite useful life		6)	7,656	—	7,147	—
			26,767	—	**25,715**	—
Tangible assets		7)				
Property, plant and equipment owned			**14,100**	—	**13,311**	—
Rights of use assets		8)	**5,488**	*38*	**4,847**	*301*
Other non-current assets						
Investments in associates and joint ventures accounted for using the equity method		9)	539	—	2,979	—
Other investments		9)	116	—	156	—
Non-current financial receivables arising from lease contracts		10)	49	*1*	45	*1*
Other non-current financial assets		10)	1,602	—	2,285	—
Miscellaneous receivables and other non-current assets		11)	2,365	*1*	2,266	—
Deferred tax assets		12)	769	—	3,513	—
			5,440	—	**11,244**	—
Total Non-current assets	**(a)**		**51,795**	—	**55,117**	—
Current assets						
Inventories		13)	322	—	282	—
Trade and miscellaneous receivables and other current assets		14)	4,539	*81*	4,358	*80*
Current income tax receivables		12)	147	—	79	—
Current financial assets		10)				
Current financial receivables arising from lease contracts			*69*	*11*	*56*	—
Securities other than investments, other financial receivables and other current financial assets			*1,600*	—	*2,391*	—
Cash and cash equivalents			*3,555*	—	*6,904*	—
			5,224	—	9,351	—
Current assets sub-total			**10,232**	—	**14,070**	—
Discontinued operations /Non-current assets held for sale						
of a financial nature			—	—	—	—
of a non-financial nature			—	—	—	—
			—	—	**—**	—
Total Current assets	**(b)**		**10,232**	—	**14,070**	—
Total Assets	**(b+a)**		**62,027**	—	**69,187**	—

Equity and liabilities

(million euros)		Notes	12/31/2022	*of which with related parties*	12/31/2021	*of which with related parties*
Equity		15)				
Share capital issued			11,677	—	11,677	—
less: Treasury shares			(63)	—	(63)	—
Share capital			11,614	—	11,614	—
Additional paid-in capital			2,133	—	2,133	—
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year			1,314	—	3,667	—
Equity attributable to owners of the Parent			15,061	—	17,414	—
Non-controlling interests			3,664	—	4,625	—
Total Equity			18,725	—	22,039	—
Non-current liabilities						
Non-current financial liabilities for financing contracts and others		16)	21,739	—	23,437	—
Non-current financial liabilities for lease contracts		16)	4,597	*10*	4,064	*269*
Employee benefits		21)	684	—	699	—
Deferred tax liabilities		12)	84	—	245	—
Provisions		22)	910	—	926	—
Miscellaneous payables and other non-current liabilities		23)	1,146	*21*	1,413	*27*
Total Non-current liabilities	**(d)**		29,160		30,784	
Current liabilities						
Current financial liabilities for financing contracts and others		16)	5,039	—	5,945	*1*
Current financial liabilities for lease contracts		16)	870	*13*	651	*74*
Trade and miscellaneous payables and other current liabilities		24)	8,199	*149*	9,473	*265*
Income tax payables		12)	34	—	295	—
Current liabilities sub-total			14,142		16,364	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale						
of a financial nature			—	—	—	—
of a non-financial nature			—	—	—	—
			—	—	—	—
Total Current Liabilities	**(e)**		14,142	—	16,364	—
Total Liabilities	**(f=d+e)**		43,302	—	47,148	—
Total Equity and Liabilities	**(c+f)**		62,027	—	69,187	—

SEPARATE CONSOLIDATED INCOME STATEMENT

(million euros)	Notes	Year 2022	of which with related parties	Year 2021	of which with related parties
Revenues	26)	**15,788**	*171*	**15,316**	*62*
Other income	27)	213	*3*	272	*12*
Total operating revenues and other income		**16,001**		**15,588**	
Acquisition of goods and services	28)	(7,239)	*(491)*	(6,550)	*(497)*
Employee benefits expenses	29)	(3,180)	*(100)*	(2,941)	*(108)*
Other operating expenses	30)	(816)	—	(1,502)	(3)
Change in inventories		22	—	10	—
Internally generated assets	31)	559	—	475	—
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**5,347**		**5,080**	
of which: impact of non-recurring items	42)	*(682)*		*(1,143)*	
Depreciation and amortization	32)	(4,777)	*(33)*	(4,490)	*(50)*
Gains (losses) on disposals of non-current assets	33)	36	—	*1*	—
Impairment reversals (losses) on non-current assets	34)	—	—	(4,120)	—
Operating profit (loss) (EBIT)		**606**		**(3,529)**	
of which: impact of non-recurring items	42)	*(682)*		*(5,263)*	
Share of losses (profits) of associates and joint ventures accounted for using the equity method	9)	23	—	38	—
Other income (expenses) from investments	35)	206	—	126	—
Finance income	36)	1,115	—	1,124	*1*
Finance expenses	36)	(2,538)	*(12)*	(2,274)	*(18)*
Profit (loss) before tax from continuing operations		**(588)**		**(4,515)**	
of which: impact of non-recurring items	42)	*(490)*		*(5,144)*	
Income tax expense		(2,066)	—	(3,885)	—
Profit (loss) from continuing operations		**(2,654)**		**(8,400)**	
Profit (loss) from Discontinued operations/Non-current assets held for sale		**—**		**—**	
Profit (Loss) for the year	37)	**(2,654)**		**(8,400)**	
of which: impact of non-recurring items	42)	*(2,437)*		*(8,653)*	
Attributable to:					
Owners of the Parent		**(2,925)**		**(8,652)**	
Non-controlling interests		271		252	

(euros)		Year 2022	Year 2021
Earnings per share:	38)		
Basic and Diluted Earnings Per Share (EPS)			
Ordinary Share		(0.14)	(0.40)
Savings Share		(0.14)	(0.40)
of which:			
from Continuing operations attributable to Owners of the Parent			
Ordinary Share		(0.14)	(0.40)
Savings Share		(0.14)	(0.40)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note 15

(million euros)		Year 2022	Year 2021
Profit (Loss) for the year	**(a)**	**(2,654)**	**(8,400)**
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		(2)	7
Income tax effect		—	—
	(b)	**(2)**	**7**
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		77	(8)
Income tax effect		(17)	(3)
	(c)	**60**	**(11)**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Income tax effect		—	—
	(d)	—	—
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	**(e=b+c+d)**	**58**	**(4)**
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		(130)	28
Loss (profit) transferred to Separate Consolidated Income Statement		21	(6)
Income tax effect		4	—
	(f)	**(105)**	**22**
Hedging instruments:			
Profit (loss) from fair value adjustments		488	658
Loss (profit) transferred to Separate Consolidated Income Statement		(235)	(365)
Income tax effect		(61)	(71)
	(g)	**192**	**222**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		597	50
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	**597**	**50**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Loss (profit) transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(i)	—	**—**
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	**(k=f+g+h+i)**	**684**	**294**
Total other components of the Consolidated Statement of Comprehensive Income	**(m=e+k)**	**742**	**290**
Total comprehensive income (loss) for the year	**(a+m)**	**(1,912)**	**(8,110)**
Attributable to:			
Owners of the Parent		**(2,365)**	**(8,374)**
Non-controlling interests		453	264

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2021 to December 31, 2021

	Equity attributable to owners of the Parent										
(million euros)	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	**Total**	**Non-controlling interests**	**Total Equity**
Balance at December 31, 2020	**11,588**	**2,133**	**20**	**(350)**	**(2,538)**	**(119)**	**—**	**15,481**	**26,215**	**2,625**	**28,840**
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	(318)	**(318)**	(55)	**(373)**
Total comprehensive income (loss) for the year	—	—	29	222	38	(11)	—	(8,652)	**(8,374)**	264	**(8,110)**
Issue of equity instruments	26	—	—	—	—	—	—	7	**33**	—	**33**
FiberCop - capital increase	—	—	—	—	—	—	—	(98)	**(98)**	1,848	**1,750**
Daphne 3 - distribution of additional paid-in capital	—	—	—	—	—	—	—	—	**—**	(42)	**(42)**
Other changes	—	—	—	—	—	—	—	(44)	**(44)**	(15)	**(59)**
Balance at December 31, 2021	**11,614**	**2,133**	**49**	**(128)**	**(2,500)**	**(130)**	**—**	**6,376**	**17,414**	**4,625**	**22,039**

Changes from January 1, 2022 to December 31, 2022 Note 15

	Equity attributable to owners of the Parent										
(million euros)	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	**Total**	**Non-controlling interests**	**Total Equity**
Balance at December 31, 2021	**11,614**	**2,133**	**49**	**(128)**	**(2,500)**	**(130)**	**—**	**6,376**	**17,414**	**4,625**	**22,039**
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	—	**—**	(86)	**(86)**
Total comprehensive income (loss) for the year	—	—	(107)	193	415	59	—	(2,925)	**(2,365)**	453	**(1,912)**
Equity instruments	—	—	—	—	—	—	—	6	**6**	—	**6**
Daphne 3 - deconsolidation	—	—	—	—	—	—	—	—	**—**	(1,332)	**(1,332)**
Other changes	—	—	—	—	—	—	—	6	**6**	4	**10**
Balance at December 31, 2022	**11,614**	**2,133**	**(58)**	**65**	**(2,085)**	**(71)**	**—**	**3,463**	**15,061**	**3,664**	**18,725**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)	Notes	Year 2022	Year 2021
Cash flows from operating activities:			
Profit (loss) from continuing operations		(2,654)	(8,400)
Adjustments for:			
Depreciation and amortization		4,777	4,490
Impairment losses (reversals) on non-current assets (including investments)		9	4,118
Net change in deferred tax assets and liabilities		2,645	3,894
Losses (gains) realized on disposals of non-current assets (including investments)		(242)	(120)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		(23)	(38)
Change in employee benefits		156	(83)
Change in inventories		(35)	(39)
Change in trade receivables and other net receivables		(81)	257
Change in trade payables		484	337
Net change in income tax receivables/payables		(478)	(313)
Net change in miscellaneous receivables/payables and other assets/liabilities		337	233
Cash flows from (used in) operating activities	**(a)**	**4,895**	**4,336**
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(6,305)	(4,013)
Capital grants received		3	3
Acquisition of control of companies or other businesses, net of cash acquired		(1,316)	—
Acquisitions/disposals of other investments		(26)	(100)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		969	(1,183)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		1,278	172
Proceeds from sale/repayments of intangible, tangible and other non-current assets		62	4
Cash flows from (used in) investing activities	**(b)**	**(5,335)**	**(5,117)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(436)	704
Proceeds from non-current financial liabilities (including current portion)		2,288	4,082
Repayments of non-current financial liabilities (including current portion)		(4,615)	(3,072)
Change in hedging and non-hedging derivatives		(36)	103
Share capital proceeds/reimbursements (including subsidiaries)		2	(42)
Dividends paid(*)		(68)	(368)
Changes in ownership interests in consolidated subsidiaries		(4)	1,757
Cash flows from (used in) financing activities	**(c)**	**(2,869)**	**3,164**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**—**	**—**
Aggregate cash flows	**(e=a+b+c+d**	**(3,309)**	**2,383**
Net cash and cash equivalents at beginning of the year	**(f)**	**6,904**	**4,508**
Net foreign exchange differences on net cash and cash equivalents	**(g)**	(40)	13
Net cash and cash equivalents at end of the year	**(h=e+f+g)**	**3,555**	**6,904**
(*) of which from related parties		—	51

Purchase of intangible, tangible and rights of use assets

(million euros)	Notes	Year 2022	Year 2021
Purchase of intangible assets	6)	(1,128)	(1,886)
Purchase of tangible assets	7)	(2,828)	(2,665)
Purchase of rights of use assets	8)	(953)	(746)
Total purchase of intangible, tangible and rights of use assets on an accrual basis(*)		(4,909)	(5,297)
Change in payables arising from purchase of intangible, tangible and rights of use assets		(1,396)	1,284
Total purchases of intangible, tangible and rights of use assets on a cash basis		(6,305)	(4,013)
(*) of which from related parties		71	23

Additional Cash Flow information

(million euros)	Year 2022	Year 2021
Income taxes (paid) received	164	(242)
Interest expense paid	(1,668)	(1,440)
Interest income received	562	437
Dividends received	155	90

Analysis of Net Cash and Cash Equivalents

(million euros)	Year 2022	Year 2021
Net cash and cash equivalents at beginning of the year:		
Cash and cash equivalents - from continuing operations	6,904	4,829
Bank overdrafts repayable on demand – from continuing operations	—	(321)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	—
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	6,904	**4,508**
Net cash and cash equivalents at end of the year:		
Cash and cash equivalents - from continuing operations	3,555	6,904
Bank overdrafts repayable on demand – from continuing operations	—	—
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	—
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	3,555	**6,904**

The additional disclosures required by IAS 7 are provided in the Note “Net financial debt” to these consolidated financial statements.

NOTE 1
FORM, CONTENT AND OTHER GENERAL INFORMATION

Form and content

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

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

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

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

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

The TIM Group's Consolidated Financial Statements at December 31, 2022, have been prepared on a going concern basis (further details are provided in the Note "Accounting Policies") and in accordance with the recognition and measurement criteria of the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as "**IFRS**"), as well as laws and regulations in force in Italy.

In 2022, the Group adopted accounting policies consistent with those of the previous year, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2022. See the Note "Accounting policies" for more details.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit and loss, and derivative financial instruments, which have been measured at fair value. The carrying amounts of hedged assets and liabilities have been adjusted to reflect fair value changes for hedged risks (fair value hedge).

In accordance with IAS 1 (Presentation of Financial Statements) comparative information included in the consolidated financial statements refers, unless otherwise indicated, to the previous year.

The TIM Group consolidated financial statements as at December 31, 2022 are expressed in euro (rounded to the nearest million unless otherwise indicated).

The publication of the consolidated financial statements for the year ended December 31, 2022 of the TIM Group was approved by resolution of the Board of Directors on March 15, 2023.

Financial statement formats

The financial statement formats adopted are consistent with those indicated in IAS 1. In particular:

- the **Consolidated statements of financial position** have been prepared by classifying assets and liabilities according to the "current and non-current" criterion;
- the **Separate Consolidated Income Statement** has been prepared by classifying operating costs by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting, and is in line with the TIM Group's industrial sector.
  In addition to EBIT or Operating profit (loss), the separate consolidated income statements include the alternative performance measure of EBITDA or Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets.

  In particular, besides EBIT, EBITDA is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors), as a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level).

EBIT and EBITDA are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of 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	

- the **Consolidated statements of comprehensive income** include the profit or loss for the year as shown in the Separate Consolidated Income Statement and all other non-owner changes in equity;

- the **Consolidated statements of cash flows** have been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, as required by Consob Resolution 15519 of July 27, 2006, in the separate consolidated income statement, income and expenses relating to transactions which by nature do not occur during normal operation (non-recurring transactions) have been specifically identified and their impacts on the main intermediate levels have been shown separately, when they are significant. Specifically, non-recurring income/(expenses) include, for instance: income/expenses arising from the sale of property, plant and equipment, business segments and investments; expenses stemming from company reorganization and streamlining processes and projects, also in connection with corporate transactions (mergers, spin-offs, etc.); expenses resulting from litigation and regulatory sanctions and related liabilities; other provisions for risks and charges and related reversals; costs for the settlement of disputes other than regulatory disputes; adjustments, realignments and other non-recurring items, also relating to previous years; impairment losses on the goodwill and/or other intangible and tangible assets. Certain costs related to the COVID-19 pandemic are also identified as non-recurring charges.

Also in reference to the above Consob Resolution, the amounts relating to balances or transactions with related parties have been shown separately in the consolidated financial statements.

Segment reporting

An operating segment is a component of an entity:

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

The TIM Group operating segments are in line with and continuing on from the information given in the Consolidated Annual Financial Report at December 31, 2021, are represented for the part relating to the telecommunications business, on the basis of the related geographic location (Domestic and Brazil).

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

The term "operating segment" is considered synonymous with "Business Unit".

The operating segments of the TIM Group are as follows:

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

NOTE 2
ACCOUNTING POLICIES

Going concern

The consolidated financial statements for the business year 2022 have been prepared on a going concern basis, as there is the reasonable expectation that TIM will continue conducting its business in the foreseeable future (and, in any event, over a period of at least twelve months).
In particular, the following factors have been taken into consideration:

- the main risks and uncertainties (that are for the most part of an external nature) to which the Group and the various activities of the TIM Group are exposed:
  - variations in business conditions, also related to competition;
  - financial risks (interest rate and/or exchange rate trends, changes in the Group's credit rating by rating agencies);
  - changes in the general macroeconomic situation in the Italian, European and Brazilian markets, as well as the volatility of the financial markets deriving from the risks of recession and inflation linked to both the continuation of COVID-19 and its possible variants and the increase in the cost of commodities and energy, also following the Russian-Ukraine conflict;
  - changes in the legislative and regulatory context (changes in prices and tariffs or decisions that may influence technological choices) and the outcome of the legal and regulatory authority proceedings.
- the optimal mix between risk capital and debt capital, as well as the policy for the remuneration of risk capital, as described in the section "Share capital information" under the Note "Equity";
- the policy for financial risk management (market risk, credit risk and liquidity risk), as described in the Note "Financial risk management".

Based on these factors, the Management believes that, at the present time, there are no elements of uncertainty regarding the Group's ability to continue as a going concern.

Principles of consolidation

The consolidated financial statements include the financial statements of all subsidiaries from the date on which control over such subsidiaries commences until the date on which control ceases.

The date of all the subsidiaries' financial statements coincides with that of the Parent company, TIM.

Control exists when the Parent company TIM S.p.A. has all the following:

- decision-making power over the investee, which includes the ability to direct the relevant activities of the investee, i.e. the activities that significantly affect the investee's returns;
- entitlement to the variable profits or losses commensurate with its shareholding in the investee;
- the ability to use its decision-making to determine the amount of the returns relating to its shareholding in the entity.

TIM assesses whether it controls an investee if facts and circumstances indicate that there are changes in one or more of the three control elements.

In the preparation of the consolidated financial statements, the global amounts of the assets, liabilities, costs and revenues of the consolidated companies are recognized on a line-by-line basis, while the share of equity and the year's result of non-controlling interest is recognized is disclosed separately under appropriate items in the consolidated statements of financial position, in the separate consolidated income statement and in the consolidated statements of comprehensive income.

Under IFRS 10 (Consolidated financial statements), the comprehensive loss (including the profit or loss for the year) is attributed to the owners of the parent and to non-controlling interest even when the equity of non-controlling interest has a deficit balance.

All intragroup balances and transactions and any gains and losses arising from intragroup transactions are eliminated in consolidation.

The carrying amount of the investment in each subsidiary is eliminated against the corresponding share of equity in each subsidiary, after adjustment, if any, to fair value at the date of acquisition of control. At that date, goodwill is recorded as an intangible asset, as described below, whereas any profit from a bargain purchase (or negative goodwill) is recognized in the separate consolidated income statement.

All the assets and liabilities expressed in currencies other than euro of foreign consolidated entities that are included in the consolidation are translated using the exchange rates in effect at the reporting date (the current exchange rate method), while the related revenues and costs are translated at the average exchange rates for the year. Exchange differences resulting from the application of this method are classified as equity until the entire disposal of the investment or upon loss of control of the foreign subsidiary. Upon partial disposal, without losing control, the proportionate share of the cumulative amount of exchange differences related to the disposed interest is recognized as non-controlling interest equity. The cash flows of foreign consolidated subsidiaries expressed in currencies other than euro included in the consolidated statements of cash flows are translated into euro at the average exchange rates for the year.

Goodwill and fair value adjustments arising from the allocation of the purchase price of a foreign entity are recorded in the relevant foreign currency and are translated using the year-end exchange rate.

Under IFRS 10, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of controlling and non-controlling interests shall be adjusted to reflect the changes in their related interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

Under IFRS 10, the parent company in case of loss of control of a subsidiary:

- derecognizes:
  - the assets (including any goodwill) and the liabilities;
  - the carrying amount of any non-controlling interest;
- recognizes:
  - the fair value of any consideration received;
  - the fair value of any residual investment retained in the former subsidiary;
  - any profit or loss resulting from the transaction, in the separate consolidated income statement;
  - the reclassification to the separate consolidated income statement of the amounts previously recognized in other comprehensive income in relation to the subsidiary.

In the consolidated financial statements, investments in associates and joint ventures are accounted for using the equity method, as provided, respectively, by IAS 28 (Investments in Associates and Joint Ventures) and IFRS 11 (Joint Arrangements).

Associates are enterprises in which the Group holds at least 20% of the voting rights or exercises significant influence, but no control or joint control over their financial and operating policies.

A joint venture is a joint control arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the entity.

Joint control is the contractually agreed sharing of control of a business that exists only when decisions about the relevant business require the unanimous consent of the parties sharing control.

Associates and joint ventures are included in the consolidated financial statements from the date on which significant influence or joint control commences until the date on which significant influence or joint control ceases.

Under the equity method, on initial recognition the investment in an associate or joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognized in the separate consolidated income statement. Dividends received from an investee reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the investee's other comprehensive income (i.e. those arising from foreign exchange translation differences). The investor's share of those changes is recognized in the investor's other comprehensive income.

If an investor's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the investor discontinues recognizing its share of further losses. After the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Any other long-term interests (some types of preference shares and long-term loans) in an associate or joint venture are measured in accordance with IFRS 9.

Gains and losses resulting from "upstream" and "downstream" transactions between an investor (including its consolidated subsidiaries) and its associate or joint venture are recognized in the investor's financial statements only to the extent of unrelated investors' interests in the associate or joint venture.

The investor's share of profits and losses of the associate or joint venture arising from said transactions is eliminated.

Intangible assets

Goodwill

In accordance with IFRS 3 (Business Combinations), goodwill is recognized in the financial statements at the date of acquisition of control of a business and is determined as the excess of (a) over (b), as follows:

a) the aggregate of:

- the consideration transferred (measured in accordance with IFRS 3; it is generally recognized on the basis of the fair value at the acquisition date);
- the amount of any non-controlling interest in the acquiree measured proportionally to the non-controlling interest share of the acquiree's identifiable net assets shown at the related fair value;
- in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree;

b) the fair value of the identifiable assets acquired net of the identifiable liabilities assumed, measured at the date of acquisition of control.

IFRS 3 requires, inter alia, the following:

- incidental costs incurred in connection with a business combination to be charged to the separate income statements;
- in a business combination achieved in stages, the acquirer to remeasure its previously held equity interest in the acquiree at its fair value at the date of acquisition of control and recognize the resulting gain or loss, if any, in the separate income statements.

Goodwill is classified in the statement of financial position as an intangible asset with an indefinite useful life.

Goodwill initially recognized is subsequently reduced only by cumulative impairment losses (for more details, see the section "Impairment of intangible assets, tangible assets and rights of use assets - Goodwill", below). In case of loss of control of a subsidiary, the related amount of goodwill is taken into account in calculating the gain or loss on disposal.

Development costs

Costs incurred internally for the development of new products and services represent either intangible assets (mainly costs for software development) or tangible assets. These costs are capitalized only when all the following conditions are satisfied: i) the cost attributable to the development phase of the asset can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to complete the asset and make it available for use or sale, and iii) it can be demonstrated that the asset will be able to generate future economic benefits. Capitalized development costs comprise only incurred expenditures that can be attributed directly to the development process for new products and services.

Capitalized development costs are depreciated/amortized systematically over the estimated product or service life, so that the depreciation/amortization method reflects the way in which the asset's future economic benefits are expected to be consumed by the entity.

Other intangible assets with a finite useful life

Other purchased or internally-generated intangible assets with a finite useful life are recognized as assets, in accordance with IAS 38 (Intangible Assets), when the use of the asset is likely to generate future economic benefits and when the cost of the asset can be reliably measured.

Such assets are recorded at purchase or production cost and amortized on a straight-line basis over their estimated useful lives; the amortization rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Tangible assets

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property, plant and equipment. All other expenditures are recognized in the separate consolidated income statement as incurred.

The cost of these assets also includes the expected costs of dismantling the asset and restoring the site, if a legal or constructive obligation exists. The corresponding liability is recognized at its present value in a provision for risks and charges in the liabilities. The recognition in the separate consolidated income statement of the capitalized expenditure is done over the useful life of the related tangible assets through their depreciation.

The calculation of estimates for dismantling costs, discount rates and the dates in which such costs are expected to be incurred is reviewed annually at each financial year-end. Changes in the above liability must be recognized as an increase or decrease of the cost of the related asset; the amount deducted from the cost of the asset must not exceed its carrying amount. The excess, if any, is recorded immediately in the separate consolidated income statement, conventionally under the line item "Depreciation and Amortization".

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Land, including land pertaining to buildings, is not depreciated.

Rights of use assets

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.

On the commencement date of the lease, the right of use is recognized at cost including: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, initial direct costs incurred for the signature of the lease and the present value of the estimated restoration and dismantling costs set out in the lease, less any incentives.

Subsequently, the right of use is amortized over the term of the lease (or the useful life of the asset, if lower), subject to impairment and adjusted for any remeasurement of the lease liability.

It is specified that starting January 1, 2021, the TIM Group has attracted, under the scope of application of IFRS 16, if the criteria and the requirements laid down by the standard are met, the new contract types concerning cloud software resources and the spectrum of transmission frequencies on optic fiber carriers. This approach is functional to the very innovative specificity of these types of contract, concerning hardware infrastructure and optical transmission as well as technologically-advanced software services.

Capitalized borrowing costs

Under IAS 23 (*Borrowing Costs*), the Group capitalizes borrowing costs only if they are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time (conventionally more than 12 months) to get ready for its intended use or sale.

Capitalized borrowing costs are recorded in the separate consolidated income statement and deducted directly from the "finance expenses" line item to which they relate.

Impairment of intangible, tangible and rights of use assets

Goodwill

Goodwill is tested for impairment at least annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired, as set forth in IAS 36 (Impairment of Assets); however, when the conditions that gave rise to an impairment loss no longer exist, the original amount of goodwill is not reinstated.

The test is generally conducted at the end of every year, so the date of testing is the year-end closing date of the financial statements. Goodwill acquired and allocated during the year is tested for impairment at the end of the year in which the acquisition and allocation took place.

For the purpose of verifying its recoverability, goodwill is allocated, from the acquisition date, to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the combination.

If the carrying amount of the cash-generating unit (or group of cash-generating units) exceeds the recoverable amount, an impairment loss is recognized in the separate consolidated income statement. The impairment loss is first recognized as a deduction of the carrying amount of goodwill allocated to the cash-generating unit (or group of cash-generating units) and only subsequently applied to the other assets of the cash-generating unit in proportion to their carrying amount, up to the recoverable amount of the assets with a finite useful life. The recoverable amount of a cash-generating unit (or group of cash-generating units) to which goodwill is allocated is the higher between the fair value less costs to sell and its value in use.

The fair value net of disposal costs is estimated on the basis of the income approach, insofar as this allows for the reflection of the benefits deriving from a new, different business structure in the future. In particular, the fair value net of disposal costs is based on the current value of the forecast cash flow, applying a discounting rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value.

In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value. The long-term growth rate used to estimate the terminal value of the cash-generating unit (or group of cash-generating units) is assumed not to be higher than the average long-term growth rate of the segment, country or market in which the cash-generating unit (or group of cash-generating units) operates.

The value in use of cash-generating units denominated in foreign currency is estimated in the local currency by discounting cash flows to present value on the basis of an appropriate rate for that currency. The present value obtained is translated to euro at the spot rate on the date of the impairment test (in the case of the TIM Group, the closing date of the financial statements).

Future cash flows are estimated by referring to the current operating conditions of the cash-generating unit (or group of cash-generating units) and, therefore, do not include either benefits originating from future restructuring for which the entity is not yet committed, or future investments for the improvement or optimization of the cash-generating unit.

For the purpose of calculating impairment, the carrying amount of the cash-generating unit is established based on the same criteria used to determine the recoverable amount of the cash-generating unit, excluding surplus assets (that is, financial assets, deferred tax assets and net non-current assets held for sale) and includes the goodwill attributable to non-controlling interest (minority shareholders).

After conducting the goodwill impairment test for the cash-generating unit (or groups of cash-generating units), a second level of impairment testing is carried out which includes the corporate assets which do not generate positive cash flows and which cannot be allocated by a reasonable and consistent criterion to the single units. At this second level, the total recoverable amount of all cash-generating units (or groups of cash-generating units) is compared to the carrying amount of all cash-generating units (or groups of cash-generating units), including also those cash-generating units to which no goodwill was allocated, and the corporate assets.

Tangible and intangible assets with finite useful lives and rights of use assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset – whether intangible or tangible with finite useful lives or a right of use – may be impaired. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical deterioration, and significant changes in the use of the asset and the operating performance of the asset compared to estimated performance. External sources include the market value of the asset, any changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments, and an excess of the carrying amount of the net assets of the Group over market capitalization.

If there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired, then its carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or right. If it is not possible to estimate the recoverable amount, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate consolidated income statement.

When the reasons for the impairment subsequently cease to exist, the carrying value of the asset/right-of-use or of the cash generating unit is increased up to the new estimate of the recoverable amount which, however, cannot exceed the amount that would have been determined had no impairment loss been recognized. The reversal of an impairment loss is recognized as income in the separate consolidated income statement.

Financial instruments

Business models for financial assets management

For the management of trade receivables, TIM Group Management has identified different business models based on the specific nature of the receivables, the type of counterparty and collection times, this was in order to optimize the management of working capital through the constant monitoring of the payment performance of customers, the steering of credit collection policies, and the management of programs for the disposal of receivables, and the activation of factoring consistent with financial planning requirements.

The business models adopted are:

- Hold to Collect: receivables usually held to maturity, such as trade receivables due from large customers and the OLOs for the Domestic Business Unit, and all receivables for the Brazil Business Unit; these instruments fall within the IFRS 9 category “Assets measured at amortized cost”. These receivables can be transferred, albeit not recurrently, if this is needed to optimize finances;
- Hold to Collect and Sell: receivables usually traded massively and on a recurring basis, such as, for the Domestic Business Unit, receivables due from active consumer, small and business customers held for sale; these instruments fall under the IFRS 9 category "Financial assets measured at fair value through other comprehensive income". As required by IFRS 9, the related reserve is reversed to the separate consolidated income statement when disposed of or impaired.

As part of managing financial assets other than trade receivables, the TIM Group's Management identified its business models on the basis of how the financial instruments are managed and how their cash flows are used. This is done to ensure an adequate level of financial flexibility and to best manage, in terms of risks and returns, the financial resources immediately available through the treasuries of Group companies and in accordance with the strategies set forth by the Parent TIM.

The business models adopted are:

- Hold to Collect: financial instruments used to absorb temporary cash surpluses; such instruments are low risk and mostly held to maturity; they are measured at amortized cost;
- Hold to Collect and Sell: monetary or debt instruments used to absorb short/medium-term cash surpluses; such instruments are low risk and generally held to maturity, or otherwise sold to cover specific cash requirements; they are measured at fair value through other consolidated comprehensive income;
- Hold to Sell: monetary, debt and equity trading instruments used to dynamically manage cash surpluses not managed under the business models identified above; such instruments are higher risk and traded repeatedly over time; they are measured at fair value through the separate consolidated income statement.

Other investments

Other investments (other than those in subsidiaries, associates and joint ventures) are classified as non-current or current assets if they will be kept in the Group's portfolio for a period of more or not more than 12 months, respectively.

Other investments are classified as “financial assets measured at fair value through consolidated profit or loss” (FVTPL), as current assets.

At the purchase time of each investment, IFRS 9 provides for the irrevocable option to recognize these investments in "financial assets measured at fair value through other consolidated comprehensive income" (FVTOCI) as non-current or current assets.

The other investments classified as “financial assets measured at fair value through other comprehensive income” are measured at fair value; changes in the fair value of these investments are recognized in a special equity reserve under the other components of the statements of comprehensive income (Reserve for financial assets measured at fair value through other comprehensive income), without reclassification to the separate income statements when the financial asset is disposed of or impaired. Dividends are recognized in the separate consolidated income statement.

Changes in the value of other investments classified as "financial assets at fair value through profit or loss" are recognized directly in the separate consolidated income statement.

Securities other than investments

Securities other than investments, included among non-current or current assets, depending on the business model adopted and the contractual flows envisaged, fall among financial assets measured at amortized cost, or measured at fair value through other comprehensive income or at fair value though profit or loss.

Securities other than investments classified as current assets are those that, by decision of the directors, are intended to be kept in the Group's portfolio for a period of not more than 12 months, and are classified:

- as "financial assets measured at amortized cost" (AC) when held to maturity (originally more than 3 months but less than 12 months, or, although they had an original maturity of more than 12 months, they have been bought in a period during which maturity was included between 3 and 12 months);
- as "financial assets measured at fair value through other consolidated comprehensive income" (FVTOCI) when held in the scope of a business model whose objective is to sell the financial asset and/or collect the contractual cash flows. The consolidated "Reserve for financial assets measured at fair value through other comprehensive income" is reversed to the separate consolidated income statement when the financial asset is disposed of or impaired;
- as “financial assets measured at fair value through consolidated profit or loss" (FVTPL) in the other cases.

Cash and cash equivalents

Cash and cash equivalents are recorded, according to their nature, at nominal value or amortized cost.

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value and their original maturity or the remaining maturity at the date of purchase does not exceed 3 months.

Impairment of financial assets

At every closing date, assessments are made as to whether there is any objective evidence that a financial asset or a group of financial assets has been impaired.

The impairment of financial assets is based on the expected credit loss model.

In particular:

- impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions;
- the impairment of financial assets other than trade receivables is calculated on the basis of a general model which estimates expected credit losses over the following 12 months or over the residual life of the asset in the event of a substantial worsening of its credit risk.

Derivatives

As allowed by IFRS 9, the TIM Group decided to continue to apply the hedge accounting provisions contained in IAS 39 instead of those of IFRS 9.

Derivatives are used by the TIM Group to manage its exposure to exchange rate and interest rate risks and to diversify the parameters of debt, so that costs and volatility can be reduced within pre-established operational limits.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when:

- at the inception of the hedge, the hedging relationship is formally designated and documented;
- the hedge is expected to be highly effective;
- its effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at fair value in accordance with IAS 39.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- Fair value hedge – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of an asset or liability due to a particular risk, the profit or loss from re-measuring the hedging instrument at fair value is recognized in the separate consolidated income statement. The profit or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the separate consolidated income statement.
- Cash flow hedge – Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of an asset or liability or a highly probable expected transaction, the effective portion of any gain or loss arising from the fair value adjustment of the derivative financial instrument is recognized directly in a specific equity reserve (Reserve for hedging instruments). The cumulative profit or loss is removed from equity and recognized in the separate consolidated income statement during the same business years in which the hedged transaction is recognized in the separate consolidated income statement. The profit or loss associated with the ineffective portion of a hedge is recognized in the separate consolidated income statement immediately. If the hedged transaction is no longer considered to be probable, the gains or losses not yet realized included in the equity reserve are immediately recognized in the separate consolidated income statement.

For derivatives for which a hedging relationship has not been designated, changes in value compared to initial recognition are recognized directly in the separate consolidated income statement.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on assignments of receivables where the assignment does not transfer substantially all the risks and rewards, as well as other financial liabilities, including derivative financial instruments and liabilities in respect of assets recognized under finance leases recognized in accordance with IFRS 16.

In accordance with IFRS 9, they also include trade and other payables.

Reverse factoring transactions are also classified under trade payables. The TIM Group has reverse factoring agreements in place through which TIM gives its bank partners a mandate to pay its suppliers as invoices become due. Suppliers participating in these programs have the rights to sell (without any cost for the TIM Group) receivables due from the Group. They can exercise this right at their total discretion and incurring all the costs to benefit from collection before the contractual due date.

Financial liabilities other than derivatives are initially recognized at fair value and subsequently measured at amortized cost.

Financial liabilities hedged by derivative instruments designed to manage exposure to changes in the value of liabilities (fair value hedge derivatives) are measured at fair value in accordance with the hedge accounting principles of IAS 39: the profits and losses deriving from subsequent fair value adjustments, only as regards the covered component, are recognized in the separate consolidated income statement and counterbalanced by the effective portion of the profit or loss deriving from the corresponding fair value measurements of the hedge instrument.

Financial liabilities hedged by derivative instruments designed to manage exposure to variability in cash flows (cash flow hedge derivatives) are measured at amortized cost in accordance with the hedge accounting principles of IAS 39.

Transfer of receivables

The TIM Group transfers receivables through factoring and securitization agreements. These transfers, in the majority of cases, are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, therefore meeting the requirements of IFRS 9 for derecognition. Special service agreements, under which the purchasers grant TIM S.p.A. a mandate to oversee the collection and management of receivables, have been entered into to maintain the relationship between the Company and its customers.

Inventories

Inventories are measured at the lower of purchase or production cost and estimated realizable value; the cost is determined using the weighted average cost formula for each movement, while the estimated realizable value is determined by observing general prices at the end of the year. Provision is made for obsolete and slow-moving inventories based on their expected future use and estimated realizable value.

Non-current assets held for sale/Discontinued operations

Non-current assets held for sale or discontinued groups whose carrying amount will mainly be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from other assets and liabilities in the consolidated statements of financial position. The corresponding amounts for the previous year are not reclassified in the consolidated statements of financial position, but are instead shown separately in a specific column for changes in assets and liabilities in the year in which non-current assets held for sale or discontinued groups are classified as such.

Discontinued operations are a component of an entity that has been terminated or classified as held for sale and that:

- represents a major business line or geographical area of operation; or
- is part of a single coordinated plan to discontinue a separate major line of business or geographical area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

The results arising from Discontinued Operations – whether discontinued or classified as held for sale – are shown separately in the separate consolidated income statement, net of tax effects. The corresponding values for the previous periods, where present, are reclassified and reported separately in the separate consolidated income statement, net of tax effects, for comparative purposes.

Non-current assets held for sale or discontinued groups classified as held for sale are first recognized in compliance with the appropriate IFRS applicable to each specific asset and liability, and subsequently measured at the lower of the carrying amount and fair value, less cost to sell.

Any subsequent impairment losses are recognized as a direct adjustment to non-current assets (or discontinued groups) classified as held for sale, with a contra-entry in the separate consolidated income statement.

An upward revision of value is, instead, recognized for each subsequent increase in the fair value of an asset less cost to sell, but not in excess of the previously recognized cumulative impairment loss.

As required by IFRS 5 (Non-current assets held for sale and discontinued operations), an entity shall not depreciate (or amortize) non-current assets classified as held for sale or being part of a discontinued group.

Finance expenses and other expenses attributable to the liabilities of a discontinued group classified as held for sale must continue to be recognized.

Employee benefits

Provision for employee severance indemnity

Employee severance indemnity, mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is deferred compensation based on the employee's years of service and on the compensation earned by the employee during the service period.

Under IAS 19 (Employee Benefits), the employee severance indemnity as calculated is considered a "Defined benefit plan" and the related liability recognized in the statement of financial position (Provision for employee severance indemnities) is determined by actuarial calculations.

The remeasurements of actuarial gains and losses are recognized in other components of the Consolidated Statements of Comprehensive income. Service cost of Italian companies that employ less than 50 employees, as well as interest expenses related to the "time value" component of the actuarial calculations (the latter classified as Finance expenses), are recognized in the separate consolidated income statement.

Starting from January 1, 2007, the Italian Law gave employees the choice to either allocate their accruing indemnity to supplementary pension funds or it as an obligation of the Company. Companies that employ at least 50 employees must transfer the employee severance indemnity to the "Treasury fund" managed by INPS, the Italian Social Security Institute. Consequently, the Group's obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19, of "Defined contribution plans".

Equity compensation plans

The companies of the Group provide additional benefits to certain managers of the Group through equity compensation plans (for example stock options and long-term incentive plans). The above plans are recognized in accordance with IFRS 2 (Share-Based Payment).

In accordance with IFRS 2, such plans represent a component of the beneficiaries' compensation. Therefore, for the plans that provide for compensation in equity instruments, the cost is represented by the fair value of such instruments at the grant date, and is recognized in the separate consolidated income statement in "Employee benefits expenses" over the period between the grant date and vesting date with a contra-entry to an equity reserve denominated "Other equity instruments". Changes in the fair value subsequent to the grant date do not affect the initial measurement. At the end of each year, adjustments are made to the estimate of the number of rights that will vest up to maturity. The impact of the change in estimate is recorded as an adjustment to "Other equity instruments" with a contra-entry to "Employee benefits expenses".

The portion of the plans that specifies the payment of compensation in cash is recognized in liabilities as a contra-entry to "Employee benefits expenses"; at the end of each year said liability is measured at fair value.

Provisions

The Group records provisions for risks and charges when, having a current legal or constructive obligation to a third party, as a result of a past event, an outflow of Group resources is likely to be required to meet that obligation, and when the amount of the obligation can be estimated reliably. Provisions for risks and charges also include those established in the event that the company should stipulate contracts that thereafter became onerous, the non-discretionary costs of which necessary to fulfill the commitments made, exceeding the economic benefits expected from such contracts.

When the effect of the time value is material and the payment date of the obligations can be reasonably estimated, the provision is determined by discounting the given expected cash flows by taking into account the risks associated with the obligation. The increase in the provision due to the passage of time is recognized in the separate consolidated income statement as "Finance expenses".

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and that the Group will satisfy all the conditions established for their granting by the government, government agencies and equivalent local, national or international entities.

Government grants are systematically recognized in the separate income statements over the periods in which the Group recognizes the expenses that the grants are intended to offset as costs.

Government grants related to assets received for the acquisition and/or construction of non-current tangible assets are recorded as deferred income in the statement of financial position and systematically credited to the separate income statements over the useful life of the systems the grants relate to.

Treasury shares

Treasury shares are recognized as a deduction from equity. In particular, the treasury shares are reported as a deduction from the share capital issued in the amount corresponding to the "accounting par value", that is the ratio of total share capital and the number of issued shares, while the excess cost of acquisition over the accounting par value is presented as a deduction from "Other reserves and retained earnings (accumulated losses), including profit (loss) for the year".

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the statement of financial position date. Exchange differences arising from the settlement of monetary items or from their conversion at rates different from those at which they were initially recorded during the year or at the end of the prior year are recognized in the separate consolidated income statement.

Revenues

Revenues are the gross inflows of economic benefits during the period arising in the course of the ordinary activities of an entity. Amounts collected on behalf of third parties, such as sales taxes, goods and services taxes and value added taxes, are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenues.

The process underlying the recognition of revenues follows the steps set out in IFRS 15:

- **identification of the contract:** this takes place when the parties approve the contract (with commercial substance) and identify the respective rights and obligations: in other terms, the contract must be legally binding, the rights to receive goods and/or services and the terms of payment can be clearly identified, and the Group considers receipt of payment as probable;
- **identification of the performance obligations**: the main performance obligations identified, i.e. promises to transfer goods and services that are distinct, are services rendered (including voice and data traffic and ICT solutions) to retail customers, services rendered to wholesale customers, and sale of products;
- **determination of the transaction price**: this is the total amount contracted with the other party regarding the entire contractual term; the Group has determined that the contractual term is the one arising from the contractual obligations between the parties or, in lack of these obligations, it is by convention one month;
- **allocation of the transaction price to the performance obligations**: the allocation is made proportionately to the respective stand-alone selling prices calculated based on the list prices (if present) or estimated by applying an appropriate margin to the cost of purchase/production of the good/service.

  Revenues from activating the connectivity service are not a performance obligation; they are therefore allocated to the contractual performance obligations (typically to services).
  For offerings which include the sale of devices and service contracts (bundle offerings), the Group allocates the contractual transaction price to the performance obligations of the contract, proportionately to the stand-alone selling prices of the single performance obligations;
- **recognition of revenues**: revenues are stated net of discounts, allowances, and returns in connection with the characteristics of the type of revenue:
  - **Revenues from services rendered**

    Revenues from services rendered are recognized in the separate income statements according to the stage of completion of the service, that is based on actual consumption.
    Traffic revenues from interconnection and roaming are reported gross of the amounts due to other TLC operators.
    Revenues for delivering information or other content are recognized on the basis of the amount invoiced to the customer, when the service is rendered directly by the Group. In the event that the Group is acting as agent (for example, for non-geographic numbers) only the commission received from the content provider is recognized as revenue.
    Revenues from prepaid traffic are recorded on the basis of effective consumption. Deferred revenues for traffic already collected but not yet consumed are recorded in "Trade and miscellaneous payables and other current liabilities" in the consolidated statements of financial position.
    Revenues for services rendered are generally invoiced and collected bimonthly/monthly for retail customers while for wholesale customers, they are invoiced on a monthly basis and due 40 or 60 days

after the date of issue, depending on whether they relate to the mobile component (40 days) or fixed component (60 days).

- **Revenues from sales**

  Revenues from sales (telephone products and others) are recognized upon delivery when control of the assets is transferred to the customers.
  The devices sold separately from the services are invoiced at the time of delivery; collection takes place on demand or based on installment plans (up to 48 monthly installments). The devices sold as part of bundle offerings are invoiced at the time of delivery and usually collected in 24, 30 or 48 monthly installments, depending on the type of offer and customer cluster. With specific reference to the mobile products sold to consumer customers, collection is made at the time of sale through the financial company TIMFin, which disburses the loan to the customer.

The recognition of revenues can generate the recognition of an asset or liability deriving from contracts. In particular:

- **Contract assets** are the right to a consideration in exchange for goods or services that have been transferred to the customer, when the right is conditioned on something other than the passage of time;
- **Contract liabilities** are the obligation to transfer goods or services to the customer for which the Group has received (or for which it is due) a consideration from the customer.

Contract costs (incremental costs of obtaining a contract and costs to fulfill a contract; mainly technical activation costs and costs for sales network commissions) are deferred and recognized through separate consolidated income statement depending on the expected term of the contractual relationship with the customers. The TIM Group avails of the practical expedient, permitted under IFRS 15, of recognizing the incremental costs of obtaining a contract in the consolidated income statement if the amortization period is one year or less.

The recoverability of contract assets and deferred costs is periodically assessed.

Research and advertising costs

Research and advertising costs are directly expensed to the separate consolidated income statement in the year in which they are incurred.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include: interest accrued on the related financial assets and liabilities using the effective interest rate method; changes in the fair value of derivatives and other financial instruments measured at fair value through the income statement; gains and losses on foreign exchange and financial instruments (including derivatives).

Dividends

Dividends received from companies other than subsidiaries, associates and joint ventures are recognized in the separate consolidated income statement on an accrual basis, i.e. in the year in which they become receivable following the resolution by the shareholders' meeting for the distribution of dividends of the investee companies.

Dividends payable to third parties are reported as a change in equity in the year in which they are approved by the shareholders' meeting.

Income tax expense (current and deferred)

Income tax expense includes all taxes calculated on the basis of the taxable income of the companies of the Group.

Current and deferred income tax expense is calculated using all the elements and information available at the reporting date, taking into account current laws and considering all the elements that could give rise to uncertainties in the determination of the amounts due to the tax authorities, as provided for in IFRIC 23.

Income tax expense is recognized in the separate consolidated income statement, except to the extent that they relate to items directly charged or credited to equity, in which case the related tax effect is recognized in the relevant equity reserves. The amount of the income tax expense relating to each item included as "Other components of the Consolidated Statements of Comprehensive income" is indicated in the Consolidated Statement of comprehensive income.

The provisions for taxes that could arise from the remittance of the undistributed earnings of subsidiaries are made only where there is the actual intention to remit such earnings.

Deferred tax liabilities/assets are recognized using the "Balance sheet liability method". They are calculated on all the temporary differences that arise between the taxable base of assets and liabilities and the related carrying amounts in the consolidated financial statements, except for differences arising from investments in subsidiaries that are not expected to reverse in the foreseeable future. Deferred tax assets relating to unused tax loss carryforwards are recognized to the extent that it is probable that future taxable income will be available against which they can be utilized. Tax assets and liabilities are offset, separately for current and deferred taxes, when income tax expense is levied by the same tax authority and when there is a legally enforceable offsetting right. Tax assets and deferred tax liabilities are determined by adopting the tax rates expected to be applicable in the respective jurisdictions of the countries in which the Group companies operate, in the years in which those temporary differences are expected to be recovered or settled.

The other taxes not related to income are included in "Other operating expenses".

Earnings per share

Basic earnings per ordinary share is calculated by dividing the Group's profit attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year, and excluding treasury shares. Similarly, basic earnings per savings share is calculated by dividing the Group's profit attributable to savings shares by the weighted average number of savings shares outstanding during the year.

For diluted earnings per ordinary share, the weighted average number of shares outstanding during the year is adjusted by assuming the subscription of all the potential deriving shares - for example, by exercising rights on shares with dilutive effects. The Group profit is also adjusted to reflect the impact of these transactions net of the related tax effects.

Use of accounting estimates

The preparation of consolidated financial statements and related notes in conformity with IFRS requires management to make estimates and assumptions based also on subjective judgments, past experience and assumptions considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as on the amount of revenues and costs during the year. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.

The most significant accounting estimates that involve a high level of subjective assumptions and judgments by directors are set out below.

Financial statements area	**Accounting estimates**
Goodwill impairment	The impairment test on goodwill is carried out by comparing the carrying amount of cash-generating units and their recoverable amount. The recoverable amount of a cash-generating unit is the higher of fair value, less costs to sell, and its value in use. This complex valuation process entails the use of methods such as the discounted cash flow method, which uses assumptions to estimate cash flows. The fair value net of disposal costs is based on the current value of forecast cash flow, calculated using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected future cash flows and the growth rate used for the extrapolation. The key assumptions used to determine the recoverable amount for the different cash-generating units, including a sensitivity analysis, are detailed in the Note "Goodwill".
Impairment of tangible and intangible assets with finite useful lives and rights of use assets	At the end of each reporting period, the Group assesses whether there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired. Both internal and external sources of information are used for this purpose. Identifying the impairment indicators, estimating future cash flows and calculating the fair value of each asset requires the Management to make significant estimates and assumptions in calculating the discount rate to be used, and the useful life and residual value of the assets. These estimates can have a significant impact on the fair value of the assets and on the amount of any impairment write-down.
Business combinations	The recognition of business combinations requires that assets and liabilities of the acquiree be recorded at their fair value at the control acquisition date, as well as the possible recognition of goodwill. These values are determined through a complex estimation process.
Lease liabilities and rights of use assets	The value of lease liabilities and corresponding rights of use is determined by calculating the present value of the lease payments, also bearing in mind whether the renewal of the lease is reasonably certain.
Capitalization/deferment of costs	The capitalization/deferment of internal and external costs is a process that entails elements of estimation and valuation. Specifically, it involves the valuation of: i) the likelihood that capitalized costs will be recovered through correlated future revenues; and ii) the effective increase in the future economic benefits embodied in the related asset.

Provision for bad debts	Impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions.
Depreciation and amortization	Changes in the economic conditions of the markets, technology and competitive forces could significantly affect the estimated useful lives of tangible and intangible non-current assets and may lead to a difference in the timing, and thus on the amount of depreciation and amortization expense.
Provisions, contingent liabilities and employee benefits	As regards the provisions for restoration costs, the estimate of future costs to dismantle tangible assets and restore the site is a complex process that requires the valuation of the liabilities arising from such dismantling and restoration obligations, which seldom are entirely defined by laws, administrative regulations or contract clauses, and which normally are to be complied with after an interval of several years. The provisions related to legal, arbitration and fiscal disputes, as well as regulatory proceedings, are the result of a complex estimation process based upon the probability of an unfavorable outcome. Provisions for employee benefits, especially the provision for employee severance indemnities, are calculated using actuarial assumptions; changes in such assumptions could have a material impact on such liabilities. Provisions made for contractual risks are also related to any contracts that may have become onerous and are based on an articulated estimation process that envisages the valuation of the comprehensive negative margins of the entire contract; they therefore include the non-discretionary costs necessary to fulfill the commitments made that exceed the economic benefits expected from such contracts.
Revenues	The recognition of revenues is influenced by estimates of the amount of discounts, rebates and returns to be reported as a direct adjustment to revenues, as well as the methods for defining individual product or service stand-alone selling prices and for determining the duration of the contract when there are renewal options.
Contract costs (IFRS 15)	The recognition of the costs of obtaining and fulfilling contracts is influenced by the estimated expected duration of the relationship with the customer, calculated on the basis of the historical turnover indexes and future estimates. However, this estimate is subject to fluctuations and could only represent customers' future behavior in a limited way, especially if there are new commercial offers or changes in the competitive environment.
Income tax expense (current and deferred)	Income tax expense (current and deferred) are calculated in each country in which the Group operates according to a prudent interpretation of the applicable tax laws. This process sometimes involves complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized to the extent that future taxable income will be available against which they can be recovered. The measurement of the recoverability of deferred tax assets, recognized based on both unused tax loss carry-forwards to future years and deductible temporary differences, takes into account the estimate of future taxable income and is based on conservative tax planning.
Derivative instruments and equity instruments	The fair value of derivative instruments and equity instruments is determined both using valuation models which also take into account subjective measurements such as, for example, cash flow estimates, expected volatility of prices, etc., and on the basis of prices existing in regulated markets or quotations provided by financial counterparties. For further details refer to the Note "Supplementary disclosures on financial instruments".

As per IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) paragraph 10, in the absence of a standard or interpretation that specifically applies to a transaction, the Management shall use its judgment in developing and applying an accounting policy that results in consolidated financial statements that represent faithfully the financial position, financial performance and cash flows of the Group, reflect the economic substance of transactions, and are neutral, prudential and complete in all material aspects.

New standards and interpretations endorsed by the EU and in force from January 1, 2022

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

Collection of changes of limited scope to the IFRSs

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

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

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

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

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

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

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

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

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

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

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2022.

Annual improvements to the IFRSs (2018–2020 cycle)

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

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

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

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

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

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

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

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2022.

New Standards and Interpretations issued by IASB but not yet applicable

At the date of preparation of these consolidated financial statements, the IASB had issued the following new Standards and Interpretations which have not yet come into force and have not yet been endorsed by the EU:

	Mandatory application starting from
New Standards and Interpretations not yet endorsed by the EU	
Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current	1/1/2024
Amendments to IFRS 16: Lease liabilities in a sale and lease-back	1/1/2024
Amendments to IAS 1 Presentation of Financial Statements: non-current liabilities with covenants	1/1/2024
New Standards and Interpretations endorsed by the EU	
Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	1/1/2023
Amendments to IAS 12 Income taxes: deferred tax related to assets and liabilities arising from a single transaction	1/1/2023
Amendments to IAS 1 - Presentation of Financial Statements	1/1/2023
Amendments to IFRS 17 - Insurance contracts: initial application of IFRS 17 and IFRS 19 - Comparative information	1/1/2023

The potential impacts on the Group consolidated financial statements from the application of these standards and interpretations are currently being assessed.

NOTE 3
SCOPE OF CONSOLIDATION

Investments in consolidated subsidiaries

Composition of the Group

TIM holds a majority of the voting rights in all the subsidiaries included in the scope of consolidation.
A complete list of consolidated subsidiaries is provided in the Note "List of companies of the TIM Group".

Scope of consolidation

The changes in the scope of consolidation at December 31, 2022 compared to December 31, 2021 are listed below.

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

Company		Business Unit	Month
Entry:			
COZANI RJ INFRAESTRUTURA E REDE DE TELECOMUNICAÇÕES S.A.	New acquisition	Brazil	April 2022
MINDICITY S.r.l. Società Benefit	New acquisition	Domestic	May 2022
MOVENDA S.p.A.	Increase in share held	Domestic	July 2022
Exit:			
DAPHNE 3 S.p.A.	Dilution	Domestic	August 2022
Mergers:			
MOVENDA S.p.A.	Merged into TIM S.p.A.	Domestic	December 2022

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

Companies:		12/31/2022	
	Italy	Outside Italy	Total
subsidiaries consolidated line-by-line	20	46	66
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	12	1	13
Total companies	**34**	**47**	**81**

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

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

Subsidiaries with a significant non-controlling interest

At December 31, 2022, the TIM Group held investments in subsidiaries, with significant non-controlling interest, in relation to the companies FiberCop S.p.A. and the TIM Brazil group.

The figures provided below, stated before the netting and elimination of intragroup accounts, comply with IFRS and reflect adjustments made at the acquisition date to align the assets and liabilities acquired to their fair value.

FiberCop S.p.A. - Domestic Business Unit

Non-controlling interest accounted at December 31, 2022 for 42.0% of the capital of FiberCop S.p.A., coinciding with the corresponding voting rights.

FiberCop S.p.A. - financial position data

(million euros)	12/31/2022	12/31/2021
Non-current assets	9,187	8,441
Current assets	515	471
Total Assets	**9,702**	**8,912**
Non-current liabilities	3,376	3,293
Current liabilities	800	551
Total Liabilities	**4,176**	**3,844**
Equity	**5,526**	**5,068**
of which Non-Controlling Interests	*2,321*	*2,129*

FiberCop S.p.A. - income data

(million euros)	2022	2021
Revenues	1,344	978
Profit (loss) for the year	**458**	**321**
of which Non-Controlling Interests	*192*	*135*

FiberCop S.p.A. - financial data

Aggregate cash flows generated in 2022 amounted to -37 million euros (in 2021: +75 million euros).

TIM Brasil group – Brazil Business Unit

Non-controlling interest accounted at December 31, 2022 for 33.4% of the capital of TIM S.A., coinciding with the corresponding voting rights.

Financial position data TIM Brasil group

(million euros)	12/31/2022	12/31/2021
Non-current assets	8,649	5,787
Current assets	1,925	2,476
Total Assets	**10,574**	**8,263**
Non-current liabilities	3,157	2,159
Current liabilities	2,420	1,751
Total Liabilities	**5,577**	**3,910**
Equity	**4,997**	**4,353**
of which Non-Controlling Interests	*1,545*	*1,345*

Income statement data TIM Brasil group

(million euros)	2022	2021
Revenues	3,963	2,840
Profit (loss) for the year	**289**	**455**
of which Non-Controlling Interests	*102*	*155*

Financial data of the TIM Brasil group

Aggregate cash flows generated in 2022 amounted to -369 million euros, with a negative exchange rate effect of 45 million euros.

In 2021, this was positive for 416 million euros, with a positive exchange rate difference of 6 million euros.

Finally, with regard to the subsidiaries with significant minority interests, in line with the information provided in the Report on Operations - "Main risks and uncertainties" section, the main risk factors that could lead, even significantly, to restrictions on the operations of the TIM Brasil group are listed below:

- Strategic risks (risks related to macroeconomic and political factors, as well as risks associated with foreign exchange restrictions and competition);
- Operational risks (risks related to business continuity and development of the fixed and mobile networks, as well as risks related to disputes and litigation);
- Financial risks;
- Regulatory and Compliance risks.

NOTE 4
BUSINESS COMBINATIONS

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

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

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

The business combination was recognized in the accounts as follows:

- a consideration of 1,373 million euros;
- all Assets acquired and Liabilities undertaken of the acquired companies were measured for recognition at fair value;

- in addition to the value of the Assets acquired and Liabilities undertaken, Goodwill equal to 502 million euros was recognized, determined as shown in the next table:

		Values at fair value (million euros) (*)	Values at fair value (million Brazilian reais)
Valuation of the consideration	**(a)**	**1,373**	**7,212**
Value of assets acquired	**(b)**	1,629	8,559
Value of liabilities undertaken	**(c)**	(758)	(3,983)
Goodwill	**(a–b-c)**	**502**	**2,636**

(*) real/euro exchange rate 5.25403

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

		Present values at fair value	Carrying amounts	Present values at fair value	Carrying amounts
		(million euros)(*)		(million Brazilian reais)	
Goodwill		502	—	2,636	—
Other non-current assets		1,489	862	7,825	4,532
Current assets		140	140	734	734
of which Cash and cash equivalents		*37*	*37*	*193*	*193*
Total assets	**(a)**	**2,131**	**1,002**	**11,195**	**5,266**
Total non-current liabilities		549	549	2,886	2,886
Of which Non-current financial liabilities		*459*	*459*	*2,413*	*2,413*
Total current liabilities		209	209	1,097	1,097
Of which Current financial liabilities		*98*	*98*	*517*	*517*
Total liabilities	**(b)**	**758**	**758**	**3,983**	**3,983**
Net assets	**(a-b)**	**1,373**	**244**	**7,212**	**1,283**

(*) real/euro exchange rate 5.25403

It should be noted that in September 2022, TIM S.A. and the other buyers of the Oi Móvel S.A. 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 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".

It should also be noted that:

- if the acquisition of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A. had been completed on January 1, 2022, the consolidated financial statements of the TIM Group as at December 31, 2022 would have recorded revenues approximately 120 million euros higher, with an impact of approximately -170 million euros on the net result for the period attributable to the Owners of the Parent Company;

- on February 27, 2023, the TIM S.A. Board of Directors approved the terms and conditions of the merger, by the company, of Cozani RJ Infraestrutura e Redes de Telecomunicações S.A..

NOTE 5
GOODWILL

Goodwill shows the following breakdown and changes for 2021 and 2022:

(million euros)	12/31/2020	Increase	Decrease	Impairments	Exchange differences	12/31/2021
Domestic	**22,242**	2		(4,120)		**18,124**
Brazil	**605**		(165)		4	**444**
Other Operations	—					—
Total	**22,847**	**2**	**(165)**	**(4,120)**	**4**	**18,568**

(million euros)	12/31/2021	Increase	Decrease	Impairments	Exchange differences	12/31/2022
Domestic	**18,124**	10				**18,134**
Brazil	**444**	502			31	**977**
Other Operations	—					—
Total	**18,568**	**512**	**—**	**—**	**31**	**19,111**

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.

In 2022, Goodwill increased by 543 million euros, from 18,568 million euros at the end of 2021 to 19,111 million euros at December 31, 2022.

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

- an increase of 502 million euros (2,636 million reais) relating to the recognition of goodwill connected with the acquisition of some of the mobile telephone assets of Oi Móvel S.A. For more details, see the note "Business combinations";
- net exchange gains for 31 million euros. In particular, the exchange rate used to convert Brazilian reais into euros (expressed in terms of local currency units per 1 euro) went from 6.32047 as of December 31, 2021 to 5.56520 as of December 31, 2022.

The Goodwill of the Domestic Cash Generating Unit (Domestic CGU) increased by a total of 10 million euros in connection with the acquisition of control over the companies Staer Sistemi S.r.l., Mindicity S.r.l. and Movenda S.p.A.

The gross carrying amounts of Goodwill and the related accumulated impairment losses from January 1, 2004 (date of allocation to the Cash-Generating Units – CGUs) to December 31, 2022 and 2021 can be summarized as follows:

	12/31/2022			12/31/2021		
(million euros)	Gross carrying amount	Accumulated impairment losses	Net carrying amount	Gross carrying amount	Accumulated impairment losses	Net carrying amount
Domestic	38,699	(20,565)	**18,134**	38,689	(20,565)	**18,124**
Brazil	1,143	(166)	**977**	591	(147)	**444**
Other Operations	—	—	—	—	—	—
Total	**39,842**	**(20,731)**	**19,111**	**39,280**	**(20,712)**	**18,568**

The figures for the Brazil CGU are stated in euros, converted at the spot exchange rate at the closing date of the financial statements; the carrying amount of goodwill for the CGU corresponds to 5,439 million reais at December 31, 2022 (2,803 million reais at December 31, 2021). The increase of 2,636 million reais relates to the specified posting of goodwill connected with the acquisition of part of the Oi Móvel S.A. mobile assets.

The impairment test was carried out on two levels. At a first level, the recoverable amount of the assets attributed to the individual CGUs to which goodwill is allocated was estimated; at a second level, considering the Group's activities as a whole.

The cash generating units (or groups of units) to which goodwill is allocated are as follows:

Segment	Cash-Generating Units (or groups of units)
Domestic	Domestic
Brazil	Brazil

According to the applicable accounting rules, the "recoverable value" of the CGUs was equal to the higher of "fair value net of disposal costs" and "value in use".

At December 31, 2022, the value configuration used to determine the recoverable amount of the Domestic CGU - continuing on with the configuration used for the financial statements closed at December 31, 2021 - was the Fair Value estimated on the basis of the income approach, insofar as this is considered able to best maximize the value of the Group's activities (the "market participant perspective"), also reflecting interventions on costs in view of a potential future new, different business structure.

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

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

For the Domestic CGU, the estimate of fair value on the basis of the income approach was made in compliance with IAS 36, with valuation principles and best practices, with reference to the flows of the 2023-2025 Industrial Plan, which is based on the final results of 2022: (i) it reflects realistic expectations regarding future evolutions; (ii) it brings into play careful cost cutting actions as preparation for the future business structure; (iii) it maintains the perspective of use of assets of the domestic market continuing on with the same conditions as at 12/31/2022. The expected cash flows reported in the 2023-2025 Industrial Plan approved by the Board of Directors have been critically analyzed and, with the support of expert appraisers and industry experts, the average representativity has been assessed. Expected average cash flows for the 2023-2025 Industrial Plan were extrapolated for an additional two years, thus bringing the explicit forecast period for future cash flows to a total of five years (2023-2027). The extrapolation of data for 2026-2027 was necessary, in line with that carried out by the main European incumbents, in order to intercept market, competition and industrial trends that will become manifest beyond the forecast horizon of the Industrial Plan. It is specified that where inputs are present that cannot be observed, the fair value thus determined is assigned as level 3 of the fair value hierarchy, as envisaged by IFRS 13 - Fair value measurement.

The estimation of the fair value according to the income approach requires the determination of the current value of income beyond the explicit forecast period ("terminal value"). To this end, the sustainable long-term cash flow was assumed to be the extrapolation of the estimated cash flow at 2027, adjusted as necessary to take into consideration a suitable level of long-term capital expenditure, normalized by the effects tied to the development of innovative technology projects in place during the plan years. Furthermore, with specific reference to the incremental share of the value deriving from 5G license use and therefore from the development of new and innovative business areas, a measurement model has been adopted that takes into account the net incremental flows for a defined period of time which is based on the duration of the license. This approach is consistent with the need to include in the configuration of value, on one hand the outflows deriving from the capex to support its development (as per the Industrial Plan), and on the other the positive net flows from the incremental business component of the license acquisition that will develop over a broad period of time and over the five years of explicit forecast.

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

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

For the Domestic CGU it was as follows:

- the weighted average cost of capital (WACC rate) used to discount the future cash flows and the equivalent rate before tax;
- details are also provided of the growth rate used to estimate the residual value after the explicit forecast period (the G-Rate), expressed in nominal terms and related to the cash flows in their functional currency;
- details are provided of the implicit capitalization rates resulting from the difference between the cost of capital, after tax, and the G-Rate.

Principal parameters for the estimates of fair value

	Domestic
WACC	6.20%
WACC before tax	7.89%
Growth rate beyond the explicit period (g)	1.09%
Capitalization rate after tax (WACC-g)	5.11%
Capitalization rate before tax (WACC-g)	6.80%
Capex/Revenues, perpetual	15.50%

The growth rate in the terminal value “g” of the Domestic CGU was estimated taking into account the expected evolution of demand for the various business areas, overseen in terms of investments and competences also by the subsidiaries Noovle and FiberCop. The growth rate thus estimated falls within the range of growth rates applied by analysts who monitor TIM shares.

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

The recoverable amount of the Domestic cash generating unit, determined on the basis of the Fair Value estimated on the basis of the income approach, highlighted headroom of 1,187 million euros.

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

(million euros)	Domestic	Brazil
Difference between recoverable and net carrying amounts	+1,187	+217

Therefore, in light of all the foregoing, in FY 2022, the Goodwill values recognized in the financial statements relating to the Domestic CGU (positive difference of +1,187 million euros) and the Brazil CGU (positive difference of +217 million euros) are confirmed.

In relation to the Domestic CGU, a structural deterioration of the relevant parameters and, notably, the WACC, may call for the application of impairment. In detail, in accordance with IAS 36, the sensitivity analysis has been performed aiming to identify the change in key variables (WACC, margins as seen by the ratio of gross operating margin and revenues, growth rate of income in terminal value), which makes the recoverable amount equal to the carrying amount. This analysis shows that:

- an increase in costs such as to lower the margins (= gross operating margin/revenues) of 0.67%; or
- a 0.15% rise in the WACC (at the value of 6.35%); or
- a growth rate of income in terminal value of 0.92%;

would align the recoverable amount with the carrying amount.

With regard to the Brazilian CGU, the change in the price per share, compared to the reference quotation considered for the purposes of the financial statements, which would make the recoverable value equal to the carrying amount is equal to -4.07%.

The second level impairment test revealed a recoverable amount that exceeded the book value of the Group’s business as a whole, thereby not showing any need for impairment.

NOTE 6

INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

This item increased by 509 million euros compared to December 31, 2021. The breakdown and movements are as follows:

(million euros)	12/31/2020	Investments	Amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12/31/2021
Industrial patents and intellectual property rights	**1,789**	731	(1,043)			4	452	**1,933**
Concessions, licenses, trademarks and similar rights	**3,645**	191	(466)			6		**3,376**
Other intangible assets	**4**	1	(2)					**3**
Work in progress and advance payments	**1,302**	963			(3)	3	(430)	**1,835**
Total	**6,740**	**1,886**	**(1,511)**	**—**	**(3)**	**13**	**22**	**7,147**

(million euros)	12/31/2021	Investments	Amortization	Impairment (losses)/reversals	Disposals	Exchange differences	Capitalized borrowing costs	Other changes	12/31/2022
Industrial patents and intellectual property rights	**1,933**	731	(1,069)		(1)	53		338	**1,985**
Concessions, licenses, trademarks and similar rights	**3,376**	85	(442)		(1)	70		1,555	**4,643**
Other intangible assets	**3**	2	(6)			(2)		48	**45**
Work in progress and advance payments	**1,835**	310				54	48	(1,264)	**983**
Total	**7,147**	**1,128**	**(1,517)**	**—**	**(2)**	**175**	**48**	**677**	**7,656**

Investments in 2022 amounted to 1,128 million euros (1,886 million euros in 2021) and included 244 million euros in internally generated assets (216 million euros in 2021). Further details are provided in the Note "Internally generated assets".

Industrial patents and intellectual property rights at December 31, 2022, essentially consist of the plant operation and application software purchased outright and user license, amortized over a period between 2 and 6 years and relating mainly to TIM S.p.A. (1,301 million euros), the Brazil Business Unit (438 million euros) and Noovle S.p.A. (142 million euros).

Concessions, licenses, trademarks and similar rights at December 31, 2022 mainly refer to the residual cost of telephone licenses and similar rights (3,316 million euros for TIM S.p.A. and 1,268 million euros for the Brazil Business Unit). Compared with December 31, 2021, the item increased by 1,267 million euros, mainly due to:

- entry into the consolidation scope of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A. (633 million euros);
- entry into force of the rights to use the 2100 MHz bandwidth of TIM S.p.A., which in 2021 was extended until December 31, 2029 (240 million euros);
- entry into force of the 5G user rights to the 694-790 MHz bandwidths of TIM S.p.A. (680 million euros);
- acquisition by TIM S.p.A. of the licenses for the 34-36 MHz OpNet bandwidth, acquired with an agreement with the OpNet (former Linkem) operator covering the reciprocal transfer of frequencies and enabled TIM S.p.A. to use an additional 20MHz nationally, reaching the maximum availability of 100MHz permitted in the frequency bandwidth 3.4-3.8 GHz usable by TIM, as 5G frequencies.

The residual amount of telephone licenses and similar rights in operation at December 31, 2022 (4,584 million euros) and their useful lives are detailed below:

Type	Residual value at 12/31/2022	Useful life	Maturity	Amortization expense for the year 2022
	(million euros)	(years)		(million euros)
TIM S.p.A.:				
UMTS 2100 MHz (extension)	210	8	12/31/2029	30
WiMax (extension)	5	7	12/31/2029	1
34-36 MHz band Linkem	61	7	12/31/2029	4
LTE 1800 MHz	60	18	12/31/2029	9
LTE 800 MHz	420	17	12/31/2029	60
LTE 2600 MHz	46	17	12/31/2029	7
1452-1492 MHz band	116	14	12/31/2029	16
900 and 1800 MHz band	383	11	12/31/2029	55
3600-3800 MHz band (5G)	1,331	19	12/31/2037	89
26.5-27.5 GHz band (5G)	26	19	12/31/2037	2
694-790 MHz band (5G)	658	15 years and 6 months	12/31/2037	22
TIM Brasil group:				
GSM and 3G (UMTS) - TIM S.A.	21	15	From 2023 to 2031	24
4G (LTE - 700 MHz) -TIM S.A.	496	15	2029	74
5G (2.3 GHz and 26 GHz) - TIM S.A.	200	20	2041	14
900 - 1800 -1900 - 2100 - 2500 MHz - Cozani	551	15-18	From 2027 to 2038	28

Work in progress and advance payments mainly relate to:

- the Brazil Business Unit (530 million euros) connected with the rights to use 3.5 GHz frequencies (5G). For the latter, as the time period required for the assets to be ready for use is more than 12 months, in 2022 the related finance expenses of 48 million euros were capitalized. The capitalized finance expenses have been deducted directly from "finance expense";
- the Domestic Business Unit (453 million euros), essentially related to software developments and investments for the digital evolution of Network Infrastructures.

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

Amortization and impairment losses have been recorded in the income statement as components of EBIT.

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2022 and December 31, 2021 can be summarized as follows:

(million euros)	12/31/2021			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Industrial patents and intellectual property rights	11,605	—	(9,672)	1,933
Concessions, licenses, trademarks and similar rights	8,304	—	(4,928)	3,376
Other intangible assets	464	—	(461)	3
Work in progress and advance payments	1,835	—	—	1,835
Total intangible assets with a finite useful life	**22,208**	**—**	**(15,061)**	**7,147**

(million euros)	12/31/2022			
	Gross carrying amount	Accumulated impairment losses	Accumulated amortization	Net carrying amount
Industrial patents and intellectual property rights	12,847	—	(10,862)	1,985
Concessions, licenses, trademarks and similar rights	7,784	—	(3,141)	4,643
Other intangible assets	563	—	(518)	45
Work in progress and advance payments	983	—	—	983
Total intangible assets with a finite useful life	**22,177**	**—**	**(14,521)**	**7,656**

With reference to the gross values, in 2022 the parent company TIM S.p.A. made disposals of 3,125 million euros in connection with licenses (UMTS licenses for 2,506 million euros and GSM licenses for 117 million euros expired and sale of WiMax licenses to OpNet for 6 million euros) and rights to use intellectual works, almost entirely amortized, including BSS and OSS software application developments for 471 million euros, television rights expired for 16 million euros and the Sandvine platform for 6 million euros.

NOTE 7
TANGIBLE ASSETS

Property, plant and equipment owned

This item increased by 789 million euros compared to December 31, 2021. The breakdown and movements are as follows:

(million euros)	12/31/2020	Investments	Depreciation	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12/31/2021
Land	**229**	2					1	**232**
Buildings (civil and industrial)	**577**	23	(35)				32	**597**
Plant and equipment	**11,206**	1,885	(2,095)		(30)	21	267	**11,254**
Manufacturing and distribution equipment	**22**	4	(9)				2	**19**
Other	**309**	121	(145)			1	81	**367**
Construction in progress and advance payments	**798**	630				2	(588)	**842**
Total	**13,141**	**2,665**	**(2,284)**	**—**	**(30)**	**24**	**(205)**	**13,311**

(million euros)	12/31/2021	Investments	Depreciation	Impairment (losses)/ Reversals	Disposals	Exchange differences	Other changes	12/31/2022
Land	**232**				(1)	1		**232**
Buildings (civil and industrial)	**597**	34	(37)			1	56	**651**
Plant and equipment	**11,254**	2,198	(2,145)		(28)	202	521	**12,002**
Manufacturing and distribution equipment	**19**	7	(8)				2	**20**
Other	**367**	105	(158)		(1)	13	36	**362**
Construction in progress and advance payments	**842**	484			(3)	11	(501)	**833**
Total	**13,311**	**2,828**	**(2,348)**	**—**	**(33)**	**228**	**114**	**14,100**

Land comprises both built-up land and available land and is not subject to depreciation. The figure at December 31, 2022 refers primarily to TIM S.p.A. (187 million euros) and Noovle (33 million euros).

Buildings (civil and industrial) mainly includes buildings for industrial use hosting telephone exchanges, or for office use and light constructions. The balance at December 31, 2022 is mainly attributable to TIM S.p.A. (425 million euros) and Noovle S.p.A. (199 million euros).

Plant and machinery includes the technological infrastructure used for the provision of telecommunications services (transport and distribution of voice/data traffic). The figure at December 31, 2022 is mainly attributable to TIM S.p.A. (5,552 million euros), to FiberCop S.p.A. (4,114 million euros) and to the Brazil Business Unit (1,927 million euros).

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

Other mainly consists of hardware for the functioning of the network and for work stations, furniture and fixtures and, to a minimal extent, transport vehicles and office machines.

Construction in progress and advance payments refer to the internal and external costs incurred for the acquisition and internal production of tangible assets, which are not yet in use.

2022 investments include 315 million euros of internally generated assets (259 million euros in 2021); further details are provided in the Note "Internally generated assets".

Depreciation, impairment losses and reversals have been recorded in the income statement as components of EBIT.

Depreciation for the years 2022 and 2021 was calculated on a straight-line basis over the estimated useful lives of the assets according to the following minimum and maximum rates:

Buildings (civil and industrial)	2% - 6.66%
Plant and equipment	3% - 50%
Manufacturing and distribution equipment	15% - 20%
Other	10% - 50%

Other changes include 112 million euros related 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. For further details, see the note "Business combinations".

The gross carrying amount, accumulated impairment losses and accumulated depreciation at December 31, 2022 and December 31, 2021 can be summarized as follows:

(million euros)	12/31/2021			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Land	235	(3)		232
Buildings (civil and industrial)	1,960	—	(1,363)	597
Plant and equipment	70,535	(12)	(59,269)	11,254
Manufacturing and distribution equipment	330	(1)	(310)	19
Other	3,305	(2)	(2,936)	367
Construction in progress and advance payments	844	(2)		842
Total	**77,209**	**(20)**	**(63,878)**	**13,311**

(million euros)	12/31/2022			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Land	235	(3)		232
Buildings (civil and industrial)	2,051	—	(1,400)	651
Plant and equipment	73,824	(12)	(61,810)	12,002
Manufacturing and distribution equipment	338	(1)	(317)	20
Other	3,725	(2)	(3,361)	362
Construction in progress and advance payments	834	(1)		833
Total	**81,007**	**(19)**	**(66,888)**	**14,100**

With regard to the gross amounts, in 2022 the parent company TIM S.p.A. made disposals for a total value of 1,294 million euros, mainly in relation to fully depreciated assets, including: UMTS transmission plants and network transmission devices (1,081 million euros), infrastructures and GSM base transceiver stations (63 million euros), switching systems (52 million euros), rented terminals (32 million euros), access network (29 million euros), power supply and conditioning systems (13 million euros), underground fiber optic (9 million euros), aerials and cable laying (7 million euros), civil buildings (2 million euros).

NOTE 8
RIGHTS OF USE ASSETS

This item increased by 641 million euros compared to December 31, 2021. The breakdown and movements are as follows:

(million euros)	12/31/2020	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12/31/2021
Property	**2,911**	35	298	(343)	(14)	4	(43)	**2,848**
Plant and equipment	**1,909**	25	328	(314)	(5)	11	(107)	**1,847**
Other tangible assets	**121**		35	(37)	(2)		2	**119**
Construction in progress and advance payments	**51**	19	2				(42)	**30**
Intangible assets			4	(1)				**3**
Total	**4,992**	**79**	**667**	**(695)**	**(21)**	**15**	**(190)**	**4,847**

(million euros)	12/31/2021	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12/31/2022
Property	**2,848**	35	347	(398)	(4)	35	104	**2,967**
Plant and equipment	**1,847**	53	462	(474)	(2)	108	376	**2,370**
Other tangible assets	**119**		23	(38)	(3)		1	**102**
Construction in progress and advance payments	**30**	25					(20)	**35**
Intangible assets	**3**	8		(2)			5	**14**
Total	**4,847**	**121**	**832**	**(912)**	**(9)**	**143**	**466**	**5,488**

2022 capital expenditures mainly refer to the Domestic Business Unit and are essentially related to the acquisition of IRU transmission capacity and improvements and incremental expenses incurred on leased property and non-property assets.

The increases in finance leasing contracts in 2022, equal to 832 million euros, refer to the Brazil Business Unit (484 million euros) and the Domestic Business Unit (348 million euros).

These increases include the higher value of the rights of use recorded as a result of new leases, increases of lease payments and renegotiations of agreements existing both land and buildings for office use and industrial relationship over time, to infrastructure sites for the mobile telephone network infrastructure and network.

Amortization and impairment losses have been recorded in the income statement as components of EBIT.

The disposals are representative of the carrying amount of the assets from lease agreements that terminated early.

Other changes refer mainly to the entrance into the consolidation scope of the mobile telephone assets of Oi Móvel S.A. (558 million euros) and also include the start-up and changes connected with the lesser value of the rights of use recorded as a result of contractual changes during the period.

Property includes buildings and land under passive leases and the related building adaptations, attributable to the Domestic Business Unit (2,422 million euros) and the Brazil Business Unit (545 million euros).

Plant and equipment mainly includes rights of use on infrastructures for telecommunications services. These refer to the Brazil Business Unit (1,436 million euros), the Parent Company TIM S.p.A. (637 million euros), the Telecom Italia Sparkle group (156 million euros) and FiberCop S.p.A. (140 million euros). This includes, inter alia, the recognition of the value of the telecommunications towers sold by the TIM Brasil group to American Tower do Brasil and subsequently repurchased in the form of a finance lease.

Other tangible assets mainly comprises the leases on motor vehicles. In addition, the right of use for the lease of the business unit relating to all the assets organized for the full performance of the "construction", "delivery" and "assurance" activities for telecommunications networks and equipment, deriving from the contract entered into between TIM Servizi Digitali S.p.A. and Sittel S.p.A., is recorded herein (15 million euros). The corresponding finance lease liability for the obligation to comply with the contractual payments is recorded against the right of use.

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

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2022 and December 31, 2021 can be summarized as follows:

(million euros)	12/31/2021			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Property	5,327	(13)	(2,466)	2,848
Plant and equipment	3,304	(277)	(1,180)	1,847
Other	291		(172)	119
Construction in progress and advance payments	30			30
Intangible assets	4	—	(1)	3
Total	**8,956**	**(290)**	**(3,819)**	**4,847**

(million euros)	12/31/2022			
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Property	5,811	(13)	(2,831)	2,967
Plant and equipment	4,340	(278)	(1,692)	2,370
Other	272		(170)	102
Construction in progress and advance payments	35			35
Intangible assets	17	—	(3)	14
Total	**10,475**	**(291)**	**(4,696)**	**5,488**

Impairment losses on "Plant and equipment", mainly relating to prior years, refers to the Indefeasible Rights of Use (IRU) for the transmission capacity and cables for international connections acquired by the Telecom Italia Sparkle group.

With reference to the gross values, in 2022 the Parent Company TIM S.p.A. carried out disposals for a total value of 85 million euros, essentially relating to leased properties (34 million euros), leased vehicles (25 million euros), base transceiver stations (16 million euros) and leasehold improvements (9 million euros).

NOTE 9
INVESTMENTS

Investments in associates and joint ventures accounted for using the equity method

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

(million euros)		12/31/2022	12/31/2021
I-Systems S.A.		277	253
Daphne 3 S.p.A.		212	—
Italtel S.p.A.		9	—
NordCom S.p.A.		6	6
W.A.Y. S.r.l.		4	4
QTI S.r.l		3	2
Satispay S.p.A.		—	20
Other		2	3
Total Associates	**(a)**	**513**	**288**
INWIT S.p.A.		—	2,669
TIMFin S.p.A.		21	22
Polo Strategico Nazionale S.p.A.		5	
Total Joint Ventures	**(b)**	**26**	**2,691**
Total investments accounted for using the equity method	**(a+b)**	**539**	**2,979**

The changes in this item are broken down as follows:

(million euros)	12/31/2020	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12/31/2021
I-Systems S.A.				(2)	255	**253**
Satispay S.p.A.		20				**20**
NordCom S.p.A.	**5**			1		**6**
W.A.Y. S.r.l.	**4**					**4**
QTI S.r.l		2				**2**
Tiglio I S.r.l.	**1**		(1)			**—**
Other	**3**	1			(1)	**3**
Total Associates	**13**	**23**	**(1)**	**(1)**	**254**	**288**
INWIT S.p.A.	**2,713**			(44)		**2,669**
TIMFin S.p.A.	**2**	24		(4)		**22**
Total Joint Ventures	**2,715**	**24**	**—**	**(48)**	**—**	**2,691**
Total investments accounted for using the equity method	**2,728**	**47**	**(1)**	**(49)**	**254**	**2,979**

(million euros)	12/31/2021	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12/31/2022
I-Systems S.A.	253			(11)	35	**277**
Daphne 3 S.p.A.				(57)	269	**212**
Italtel S.p.A.		10		(1)		**9**
NordCom S.p.A.	6					**6**
W.A.Y. S.r.l.	4					**4**
QTI S.r.l	2	1				**3**
Satispay S.p.A.	20		(20)			**—**
Other	3	—			(1)	**2**
Total Associates	**288**	**11**	**(20)**	**(69)**	**303**	**513**
INWIT S.p.A.	2,669			(59)	(2,610)	**—**
TIMFin S.p.A.	22			(1)		**21**
Polo Strategico Nazionale S.p.A.		5				**5**
Total Joint Ventures	**2,691**	**5**	**—**	**(60)**	**(2,610)**	**26**
Total investments accounted for using the equity method	**2,979**	**16**	**(20)**	**(129)**	**(2,307)**	**539**

Investments for 2022 include mainly:

- 10 million euros for the subscription, in April 2022, of a part of the capital increase of Italtel S.p.A., consequent to the reorganization process and company composition procedure approved by the Court of Milan in December 2021. At December 31, 2022, TIM Group's investment held in Italtel S.p.A. was 17.72% of the share capital.

  Italtel S.p.A. is also subject to the considerable influence of TIM S.p.A. in accordance with IAS 28 (Investments in Associates and Joint Ventures);
- 5 million euros for the assigned share (45%) under the scope of the establishment and subsequent recapitalization of Polo Strategico Nazionale S.p.A. The company deals with the design, preparation, fitting out and management of infrastructure for the supply of cloud services and solutions for the public administration.

"Valuation using the equity method" for 2022 mainly includes:

- for the equity investment in INWIT S.p.A., the portion, pertaining to the positive economic result of INWIT, including the greater amortization charge, at consolidated level, of the assets to which part of the greater value deriving from the corporate integration transaction of Vodafone Towers S.r.l. in INWIT (35 million euros) has been allocated and the reduction in the carrying amount of the equity investment for dividends received in the year (94 million euros);
- for the equity investment in Daphne 3 S.p.A., the reduction in the carrying amount of the equity investment for dividends received in the year (57 million euros).

Other changes for 2022 mainly include:

- the deconsolidation of the investment in INWIT - Infrastrutture Wireless Italiane consequent to the August 2022 sale of 41% of the share capital of the holding company Daphne 3 S.p.A and the consequent loss of control in the company. In turn, Daphne 3 S.p.A. holds a 30.2% share in INWIT;

- the entry of the residual equity investment in Daphne 3 S.p.A.(10% of the share capital). Daphne 3 S.p.A. is subject to the considerable influence of TIM S.p.A. in accordance with IAS 28 (Investments in Associates and Joint Ventures);
- the exchange differences connected with the investment in the related Brazilian company I-Systems S.A.

The list of **investments accounted for using the equity method** is presented in the Note "List of companies of the TIM Group".

Other investments in associates accounted for using the equity method of the TIM Group are not material either individually or in aggregate form.

Investments in structured entities

The TIM Group does not hold investments in structured entities.

Other investments

Other investments refer to the following:

(million euros)	12/31/2020	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12/31/2021
Fin.Priv. S.r.l.	16			6		22
Northgate Telecom Innovations Partners L.P.	25	1		(9)		17
UV T-Growth		12				12
SECO S.p.A.		38		54		92
Other	13					13
Total	**54**	**51**	**—**	**51**	**—**	**156**

(million euros)	12/31/2021	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12/31/2022
Fin.Priv. S.r.l.	22			(2)		20
Northgate Telecom Innovations Partners L.P.	17	3		(4)		16
UV T-Growth	12	8	(7)	(2)		11
SECO S.p.A.	92			(36)		56
Other	13					13
Total	**156**	**11**	**(7)**	**(44)**	**—**	**116**

More specifically, note that at December 31, 2022, the TIM Group had a subscription commitment for units:

- in the Northgate CommsTech Innovations Partners L.P. fund for 4.6 million USD, equal to approximately 4.3 million euros at the exchange rate as at December 31, 2022;
- of the UV T-Growth fund in the amount of 47.4 million euros.

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

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

NOTE 10

NON-CURRENT AND CURRENT FINANCIAL ASSETS

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

(million euros)		12/31/2022	12/31/2021
Other non-current financial assets			
Securities other than investments		—	—
Receivables from employees		39	39
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature		1,435	1,935
Non-hedging derivatives		119	100
Other financial receivables		9	211
		1,602	**2,285**
Financial receivables for lease contracts		**49**	**45**
Total non-current financial assets	**(a)**	**1,651**	**2,330**
Securities other than investments, other financial receivables and other current financial assets			
Securities other than investments			
Measured at amortized cost (AC)		—	—
Measured at fair value through other comprehensive income (FVTOCI)		1,040	1,515
Measured at fair value through profit or loss (FVTPL)		406	734
		1,446	**2,249**
Financial receivables and other current financial assets			
Liquid assets with banks, financial institutions and post offices (with maturity over 3 months)		—	—
Receivables from employees		21	12
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature		84	80
Non-hedging derivatives		47	41
Other short-term financial receivables		2	9
		154	**142**
	(b)	**1,600**	**2,391**
Financial receivables for lease contracts	**(c)**	**69**	**56**
Cash and cash equivalents	**(d)**	**3,555**	**6,904**
Total current financial assets	**e=(b+c+d)**	**5,224**	**9,351**
Financial assets relating to Discontinued operations/Non-current assets held for sale	**(f)**	**—**	**—**
Total non-current and current financial assets	**g=(a+e+f)**	**6,875**	**11,681**

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Financial receivables for lease contracts refer to:

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

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

Non-hedging derivatives consist mainly of the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit. More specifically, they include 112 million euros in relation to the option to subscribe shares of C6 Bank with which TIM S.A. entertains commercial relations.

Further details are provided in the Note “Derivatives”.

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

- 1,040 million euros of listed securities, of which 368 million euros of treasury bonds purchased by Telecom Italia Finance S.A. as well as 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. Under IFRS 9 and consistently with the Business model, such securities are classified as financial assets measured at fair value through other comprehensive income (FVTOCI). The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in “Sovereign debt securities”, have been made in accordance with the Guidelines for the “Management and control of financial risk” adopted by the TIM Group;
- 406 million euros of investments in monetary funds by the Brazil Business Unit, which, under IFRS 9, are classified as financial assets measured at fair value through profit or loss (FVTPL).

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

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

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

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

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

Cash and cash equivalents amounted to 3,555 million euros, a decrease of 3,349 million euros compared to December 31, 2021 and were broken down as follows:

(million euros)	12/31/2022	12/31/2021
Liquid assets with banks, financial institutions and post offices	2,622	6,092
Checks, cash and other receivables and deposits for cash flexibility	—	—
Securities other than investments (due within 3 months)	933	812
Total	**3,555**	**6,904**

The different technical forms of investing available cash at December 31, 2022 had the following characteristics:

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

Securities other than investments (due within 3 months) included 447 million euros (812 million euros at December 31, 2021) of Brazilian bank certificates of deposit (*Certificado de Depósito Bancário*) held by the Brazil Business Unit with premier local banking and financial institutions, 350 million euros of monetary portfolio securities and 135 million euros of Euro Commercial Papers, subscribed by Telecom Italia Finance S.A.

NOTE 11
MISCELLANEOUS RECEIVABLES AND OTHER NON-CURRENT ASSETS

This item rose by 99 million euros compared to December 31, 2021. The figure breaks down as follows:

(million euros)		12/31/2022	*of which Financial Instruments*	12/31/2021	*of which Financial Instruments*
Miscellaneous receivables (non-current)	**(a)**	**560**	**275**	**433**	**144**
Other non-current assets					
Deferred contract costs		1,702		1,755	
Other deferred costs		103		78	
	(b)	**1,805**		**1,833**	
Total	**(a+b)**	**2,365**	**275**	**2,266**	**144**

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Miscellaneous receivables (non-current) totaled 560 million euros (433 million euros at December 31, 2021) and included Non-current income tax receivables of 124 million euros (147 million euros at December 31, 2021).

This item was mainly due to the Brazil Business Unit (516 million euros; 379 million euros at December 31, 2021).

More specifically, at December 31, 2022, the Brazil Business Unit showed non-current receivables relating to indirect tax for 153 million euros (137 million euros at December 31, 2021), to direct tax for 93 million euros (116 million euros at December 31, 2021) and to court deposits for 248 million euros (116 million euros at December 31, 2021).

More specifically, the legal deposits included the deposit, at December 31, 2022 equal to 120 million euros, requested in October 2022 by the 7th Business Court of the Legal District of Rio de Janeiro (Brazil) of TIM S.A., as buyer of part of the mobile assets of the Oi Group. Further details are provided in the Note “Disputes and Pending Legal Actions, other information, commitments and guarantees”.

Other non-current assets amounted to 1,804 million euros (1,833 million euros at December 31, 2021). They mainly break down as follows:

- **Deferred contract costs** of 1,702 million euros (1,755 million euros at December 31, 2021), mainly related to the deferral of costs related to the activation and acquisitions of new contracts with customers. Contractual costs (mainly technical activation costs and commissions for the sales network) were deferred and charged to the separate income statements according to the expected duration of the contractual relationship with customers (on average around 4 years for the mobile business and around 8 years for the fixed-line business).

  Total (non-current and current) deferred contract costs amounted to 2,271 million euros (2,297 million euros at December 31, 2021) and break down as follows:

(million euros)	12/31/2022	12/31/2021
Deferred contract costs		
Non-current deferred contract costs	1,702	1,755
Current deferred contract costs	569	542
Total	**2,271**	**2,297**

(million euros)	12/31/2022	12/31/2021
Deferred contract costs		
Contract acquisition costs	1,262	1,246
Contract execution costs	1,009	1,051
Total	**2,271**	**2,297**

  Changes to comprehensive deferred contract costs in 2022 are as follows:

(million euros)	12/31/2021	Increase	Release to income statement	Exchange differences and other changes	12/31/2022
Contract acquisition costs	1,246	369	(345)	(8)	1,262
Contract execution costs	1,051	199	(241)	—	1,009
Total	**2,297**	**568**	**(586)**	**(8)**	**2,271**

  The deferred contract costs will be recognized in the income statement for future years and, in particular, of around 599 million euros in 2023, based on the amount at December 31, 2022 without taking into account the new deferred portions.

(million euros)	12/31/2022	Year of recognition in the income statement					
		2023	2024	2025	2026	2027	After 2027
Contract acquisition costs	1,262	356	283	217	153	106	147
Contract execution costs	1,009	243	218	182	138	103	125
Total	**2,271**	**599**	**501**	**399**	**291**	**209**	**272**

- **Other deferred costs** of 103 million euros, mainly attributable to the Parent Company TIM S.p.A. and the companies of the Telecom Italia Sparkle group.

NOTE 12

INCOME TAX EXPENSE (CURRENT AND DEFERRED)

Current income tax receivables

Non-current and current income tax receivables at December 31, 2022 amounted to 271 million euros (226 million euros at December 31, 2021).

Specifically, they consisted of:

- non-current income tax receivables of 124 million euros (147 million euros at December 31, 2021), relating to the companies of the Brazil Business Unit (93 million euros) and the Parent TIM S.p.A. (31 million euros). They include receivables of TIM S.A. relating to the decision of the Brazilian Supreme Federal Court on the non-collection of corporate income tax and social contributions on the monetary recalculation that uses the SELIC rate in cases of undue payment and receivables not transferred by the Parent Company related to tax and interest deriving from the recognized deductibility from IRES tax of the IRAP tax calculated on labor costs, relating to years prior to 2012, following the entry into force of Italian Decree Law 16/2012;
- current income tax receivables of 147 million euros (79 million euros at December 31, 2021), relating to the companies of the Brazil Business Unit (105 million euros) and the Domestic Business Unit (42 million euros). They include the current portion of these TIM S.A. receivables as well as receivables for tax paid abroad for 10 million euros, the IRAP residual surplus from previous years for 14 million euros, the tax consolidation receivable for 6 million euros and the receivables for the supplementary declarations submitted in 2022 for 2 million euros and other tax receivables of the Parent Company TIM S.p.A.

Tax assets and deferred tax liabilities

The net balance of 685 million euros at December 31, 2022 (3,268 million euros at December 31, 2021) breaks down as follows:

(million euros)	12/31/2022	12/31/2021
Deferred tax assets	769	3,513
Deferred tax liabilities	(84)	(245)
Total	**685**	**3,268**

Deferred tax assets at December 31, 2022 referred to the Domestic Business Unit for 523 million euros and to the Brazil Business Unit for 246 million euros. At December 31, 2021, deferred tax assets mainly referred to the Domestic Business Unit, at 3,427 million euros.

In the 2020 financial statements, the Parent Company TIM S.p.A. had benefited from the possibility of realigning the tax values to the greater value of the assets booked, specifically the value of goodwill of 23,051 million euros, as envisaged by Decree Law 104/2020, Art. 110, subsections 8 and 8 bis. Accordingly, this resulted in exchange for payment of substitute tax in the amount of 3% of the realigned value (692 million euros), in the possibility to deduct the tax amortization of the realigned value of 23,051 million euros over 18 years, starting 2021. These deductions, which would have generated benefits in terms of IRES and IRAP, have been fully noted at December 31, 2020 amongst deferred tax assets in the amount of 6,569 million euros, in view of the possibility of absorption through the Company's future taxable income, also taking into account the fact that IRES losses can be carried forward without time limits, where such may arise due to temporary incapacity of taxable income.

During 2022, the Parent Company TIM S.p.A. revoked the realignment of goodwill in accordance with Article 1, subsections 624 and 624-bis of Italian Law no. 234 of December 30, 2021, by means of the submission of the supplementary declaration for the 2020 tax period; this has, amongst others, entailed a write-off of the residual IRES deferred tax assets on the value of goodwill for 2,656 million euros. The 2021 financial statements, in addition to the use of 131 million for annual amortization, also included the write-off of 50% of the IRES deferred tax assets on the value of goodwill for 2,766 million euros and all IRAP deferred tax for 1,059 million euros as a consequence of the changes introduced by the 2022 Budget Law (Law 234/2021, Art. 160) to the duration of the period during which amortization of tax-recognized goodwill could be deducted (taking it from 18 to 50 years) and the assessment of the recoverability for IRAP purposes.

The 2022 financial statements do not include IRES deferred tax for period tax losses (as had been done in the previous financial statements) and those of previous years, in consideration of the changed assessment of the time frame for recoverability of deferred tax assets of the Parent Company TIM S.p.A., also determined on the basis of the 2023-2025 Industrial Plan.

Deferred tax liabilities mainly refer to Telecom Italia Capital for 52 million euros (214 million euros at December 31, 2021) and the Domestic Business Unit for 24 million euros (20 million euros at December 31, 2021).

Since the presentation of prepaid and deferred taxes in the financial statements takes into account the offsets by legal entity when applicable, the composition of the gross amounts before offsets is presented below:

(million euros)	12/31/2022	12/31/2021
Deferred tax assets	1,285	3,999
Deferred tax liabilities	(600)	(731)
Total	**685**	**3,268**

The temporary differences which made up this line item at December 31, 2022 and 2021, as well as the movements during 2022, were as follows:

(million euros)	12/31/2021	Recognized in profit or loss	Recognized in equity	Change in scope of consolidation and other changes	12/31/2022
Deferred tax assets					
Tax loss carryforwards (*)	46	(30)		9	25
Derivatives	517	(2)	(226)		289
Provision for bad debts	128	(14)		6	120
Provisions	368	33		14	415
Taxed depreciation and amortization	104	9		(1)	112
Tax realignment pursuant to Decree Law 104/2020 Art. 110	2,656	(2,656)			—
Other deferred tax assets	180	29	(25)	140	324
Total	**3,999**	**(2,631)**	**(251)**	**168**	**1,285**
Deferred tax liabilities					
Derivatives	(492)	(3)	164	1	(330)
Business combinations - for step-up of net assets in excess of tax basis	(52)	2	—	(7)	(57)
Accelerated depreciation	(83)	(44)		(9)	(136)
Convertible bonds	(45)	45	—		—
Other deferred taxes	(59)	(15)		(3)	(77)
Total	**(731)**	**(15)**	**164**	**(18)**	**(600)**
Total Deferred tax assets net of Deferred tax liabilities	**3,268**	**(2,646)**	**(87)**	**150**	**685**

(*) For the new flow of tax losses in 2022, the Parent Company TIM S.p.A. has not entered deferred tax assets.

The expirations of deferred tax assets and deferred tax liabilities at December 31, 2022 were the following:

(million euros)	Within next year	Beyond 1 year	Total at 12/31/2022
Deferred tax assets	590	695	1,285
Deferred tax liabilities	(180)	(420)	(600)
Total Deferred tax assets net of Deferred tax liabilities	**410**	**275**	**685**

At December 31, 2022, the TIM Group had unused tax loss carryforwards of 2,862 million euros, mainly relating to the Parent Company TIM S.p.A. and the company Telecom Italia Finance, with the following expiration dates:

Year of expiration	(million euros)
2023	—
2024	1
2025	1
2026	1
2027	—
Expiration after 2027	31
Without expiration	2,828
Total unused tax loss carryforwards	**2,862**

Unused tax loss carryforwards considered in the calculation of deferred tax assets amounted to 73 million euros at December 31, 2022 (150 million euros at December 31, 2021) and mainly referred to the Brazil

Business Unit. Deferred tax assets were recognized as it was considered probable that taxable income will be available in the future against which the tax losses can be utilized.

On the other hand, deferred tax assets of 685 million euros (333 million euros at December 31, 2021) were not recognized on 2,788 million euros of tax loss carry-forwards since, at the reporting date, their recoverability was not considered probable.

At December 31, 2022, deferred tax liabilities were not recognized on approximately 1.7 billion euros of tax-suspended reserves and undistributed earnings of subsidiaries, because the TIM Group is in a position to control the timing of the distribution of those reserves and it is probable that those accumulated earnings will not be distributed in the foreseeable future. The contingent liabilities relating to taxes that should be recognized, if these reserves are distributed, are in any case not significant.

Income tax payables

Current income tax payables amounted to 34 million euros (526 million euros at December 31, 2021). They break down as follows:

(million euros)	12/31/2022	12/31/2021
Income tax payables:		
non-current	—	231
current	34	295
Total	**34**	**526**

The current portion, equal to 34 million euros, refers to the Domestic Business Unit (20 million euros) and to the Brazil Business Unit (14 million euros). Following the specified revocation of the realignment of goodwill in accordance with Article 1, subsections 624 and 624-bis of Italian Law no. 234 of December 30, 2021, current tax payables of the Parent Company TIM S.p.A. at December 31, 2022 have been zeroed (231 million euros at December 31, 2021) for the reversal of the second installment of substitute tax pursuant to Decree Law 104/2020, Art. 110, subsections 8 and 8 bis. Non-current tax payables, entirely referring to the Parent Company TIM S.p.A., have also been zeroed (231 million euros at December 31, 2021) for the reversal of the third installment of substitute tax pursuant to Decree Law 104/2020, Art. 110, subsections 8 and 8 bis.

Income tax expense

The income tax expense for the years 2022 and 2021 breaks down as follows:

(million euros)		2022	2021
Current taxes for the year		95	15
Net difference in prior year estimates		(675)	(4)
Total current taxes		**(580)**	**11**
Deferred taxes		2,646	3,874
Total income tax expense on continuing operations	**(a)**	**2,066**	**3,885**
Income tax expense on Discontinued operations/Non-current assets held for sale	**(b)**	**—**	**—**
Total income tax expense for the year	**(a+b)**	**2,066**	**3,885**

Current tax from previous years includes the income of 692 million euros of the Parent Company TIM S.p.A. deriving from the writing off of substitute tax on the realignment of goodwill (Art. 110, subsection 8 and 8 bis of Decree Law 104/2020) deriving from the revocation of the latter, in accordance with Article 1, subsections 624 and 624-bis, of Law no. 234 of December 30, 2021.

Deferred tax for 2022 includes 2,656 million euros related to the writing off of the residual deferred IRES tax recorded by the Parent Company TIM S.p.A. in 2020 following the tax recognition of higher goodwill values booked in accordance with Decree Law 104/2020, Art. 110, subsections 8 and 8 bis.

The reconciliation between the theoretical tax expense, using the IRES tax rate in force in Italy (24%), and the effective tax expense for the years ended December 31, 2022 and 2021 is as follows:

(million euros)		2022	2021
Profit (loss) before tax from continuing operations		**(588)**	**(4,515)**
Theoretical income tax expense from continuing operations		**(141)**	**(1,084)**
Income tax effect on increases (decreases) in variations			
Tax losses of the year not considered recoverable		280	197
Tax losses from prior years not recoverable (recoverable) in future years		(8)	(20)
Non-deductible write-down of goodwill		—	989
IRES taxes for previous years		—	(8)
Prepaid IRES tax (benefit)/write-off pursuant to Decree Law 104/2020, Art. 110 and others		2,656	2,766
Brazil: different tax rate compared to the theoretical rate in force in Italy		30	48
Brazil: investment incentives		(29)	(28)
Other net differences		(82)	(59)
Effective taxes recognized in the Income Statement, excluding IRAP and substitute tax		**2,706**	**2,801**
Prepaid IRAP including tax (benefit)/write-off pursuant to Decree Law 104/2020, Art. 110		—	1,084
IRAP including write-off of substitute tax pursuant to Decree Law 104/2020, Art. 110		(640)	—
Total effective taxes recognized in the Income Statement from continuing operations	**(a)**	**2,066**	**3,885**
Effective taxes recognized in the Income Statement from Discontinued operations/Non-current assets held for sale	**(b)**	**—**	**—**
Total of actual taxes to income statement	**(a)+(b)**	**2,066**	**3,885**

For the analysis of the tax burden related to the Profit (loss) before tax from continuing operations, the impact of IRAP and substitute tax pursuant to Decree Law 104/2020, Art. 110, has been kept separate to avoid any distorting effect, since these taxes only apply to Italian companies and are calculated on a tax base other than pre-tax profit.

NOTE 13
INVENTORIES

The item increased compared to December 31, 2021, by 40 million euros and is broken down as follows:

(million euros)	12/31/2022	12/31/2021
Raw materials and supplies	2	2
Work in progress and semifinished products	8	5
Finished goods	274	246
Deposits on stocks	38	29
Total	**322**	**282**

Inventories essentially consist of fixed and mobile telecommunications equipment and handsets and related accessories, as well as office products and specialist printers.

Inventories consist of 280 million euros for the Domestic Business Unit (250 million euros at December 31, 2021) and 42 million euros for the Brazil Business Unit (32 million euros at December 31, 2021). The increase in inventories of the Domestic Business Unit is mainly due to a trend of lesser consumption seen on the Mobile segment of the Parent Company TIM S.p.A..

The item "Deposits on stocks" refers to deposits paid by Telecom Italia Sparkle to construct transmission systems, limited to the component for resale also through finance lease transfer contracts.

Inventories are stated net of a provision for bad debts amounting to 18 million euros at December 31, 2022 (21 million euros at December 31, 2021).

NOTE 14

TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

This item rose by 181 million euros compared to December 31, 2021. The figure breaks down as follows:

(million euros)		12/31/2022	*of which Financial Instruments*	12/31/2021	*of which Financial Instruments*
Trade receivables					
Receivables from customers		1,586	*1,586*	1,545	*1,545*
Receivables from other telecommunications operators		1,288	*1,288*	1,130	*1,130*
	(a)	**2,874**	*2,874*	**2,675**	*2,675*
Miscellaneous receivables (current)					
Other receivables	(b)	**689**	*96*	**780**	*101*
Other current assets					
Contract assets		17	*17*	20	*20*
Deferred contract costs		569		542	
Other deferred costs		337		273	
Other		53		68	
	(c)	**976**	*17*	903	*20*
Total	(a+b+c)	**4,539**	***2,987***	**4,358**	***2,796***

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

The analyses of the aging of the financial instruments included in Trade and miscellaneous receivables and other current assets at December 31, 2022 and December 31, 2021 are provided below:

(million euros)	12/31/2022	of which non-overdue	of which overdue	of which overdue from: 0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	**2,987**	2,371	616	167	84	137	228

(million euros)	12/31/2021	of which non-overdue	of which overdue	of which overdue from: 0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	**2,796**	2,270	526	151	68	77	230

Overdue receivables increased by 101 million euros compared to December 31, 2021. This performance is a result of, for 2022: the Brazil Business Unit (79 million euros, including a positive exchange effect of approximately 61 million euros) and the Domestic Business Unit (22 million euros).

Overdue receivables increased by 90 million euros compared to December 31, 2021. This performance is a result of, for 2022: the Brazil Business Unit (66 million euros, including a positive exchange effect of approximately 9 million euros) and the Domestic Business Unit (24 million euros).

Trade receivables amounted to 2,874 million euros (2,675 million euros at December 31, 2021) and are stated net of the provision for bad debts of 499 million euros (565 million euros at December 31, 2021). They included 12 million euros (9 million euros at December 31, 2021) of medium/long-term receivables mainly relating to agreements for the sale of transmission capacity under Indefeasible Rights of Use (IRU).

Trade receivables mainly related to TIM S.p.A. (1,917 million euros) and to the Brazil Business Unit (653 million euros).

Movements in the provision for bad debts were as follows:

(million euros)	12/31/2022	12/31/2021
At January 1	**565**	**627**
Provision charges to the income statement	178	212
Utilization and decreases	(275)	(287)
Change in scope	7	1
Exchange rate differences and other changes	24	12
At December 31	**499**	**565**

Miscellaneous receivables (current) refer to other receivables amounting to 689 million euros (780 million euros at December 31, 2021) and are net of a provision for bad debts of 41 million euros (46 million euros at December 31, 2021). Details are as follows:

(million euros)	12/31/2022	12/31/2021
Advances to suppliers	282	270
Receivables from employees	10	10
Tax receivables	152	268
Receivables for grants from the government and public entities	11	14
Sundry receivables	234	218
Total	**689**	**780**

“Tax receivables” related to the Brazil Business Unit (120 million euros) and the Domestic Business (32 million euros).

“Receivables for grants from the government and public entities” referred mainly to the Ultrabroadband-UBB and Broadband-BB projects. The grants are recognized to the income statement when the related plants become ready for use.

“Sundry receivables” mainly included:

- TIM S.p.A. receivables for Universal Service (52 million euros);
- miscellaneous receivables of TIM S.p.A. from other TLC operators (28 million euros);
- TIM S.p.A. receivables for with-recourse assignments to factoring companies (26 million euros);
- TIM S.p.A. receivables from social security and pension institutions (17 million euros).

Other current assets included:

- **Contract assets with customers**: this item includes the effect of the early recognition of revenues for those bundle contracts (such as bundles of products and services) with individual performance obligations with a different recognition timing, in which the goods recognized “at a point in time” are sold at a discounted price, or for those contracts which, by providing for a discount for a period of time shorter than the minimum contract term, require, pursuant to IFRS 15, a reallocation of the discount over the minimum contractual term. Contract Assets at December 31, 2022 amounted to 17 million euros (20 million euros at December 31, 2021) and are net of the related write-down provision of 1 million euros and drop by 3 million euros, since the reversal to the income statement of the previously accumulated balance was substantially offset by the need to distribute discounts granted to customers temporally over the minimum contractual term, with particular reference to those connected with the impact of COVID-19;
- **Deferred contract costs** (569 million euros; 542 million euros at December 31, 2021) are contract costs (mainly technical activation costs and commissions for the sales network) deferred and recognized in the separate income statements according to the expected duration of the contractual relationship with customers (around 4 years for the mobile business and around 8 years for the fixed-line business). Further details on Deferred contract costs are provided in the Note “Miscellaneous receivables and other non-current assets”.
- **Other deferred costs** mainly concern:
  - the Parent Company essentially for: a) costs related to rental charges and other lease and rental costs (209 million euros); b) costs for the purchase of products and services (25 million euros); c) after-sales expenses on application offers (12 million euros); d) maintenance fees (12 million euros); e) insurance premiums (7 million euros);
  - to the Telecom Italia Sparkle group mainly related to the deferral of costs connected to payments for line lease and maintenance payments (22 million euros);
  - the Brazil Business Unit (23 million euros), essentially related to the deferral of service costs.

NOTE 15
EQUITY

This item consisted of:

(million euros)	12/31/2022	12/31/2021
Equity attributable to owners of the Parent	15,061	17,414
Non-controlling interests	3,664	4,625
Total	**18,725**	**22,039**

The composition of **Equity attributable to owners of the Parent** is the following:

(million euros)	12/31/2022		12/31/2021	
Share capital		11,614		11,614
Additional paid-in capital		2,133		2,133
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year		1,314		3,667
Reserve for financial assets measured at fair value through other comprehensive income	(58)		49	
Reserve for hedging instruments	65		(128)	
Reserve for exchange differences on translating foreign operations	(2,085)		(2,500)	
Reserve for remeasurements of employee defined benefit plans (IAS 19)	(71)		(130)	
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	—		—	
Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	3,463		6,376	
Total		**15,061**		**17,414**

At December 31, 2022, **capital** came to 11,614 million euros net of treasury shares for 63 million euros.

It should be noted that the Parent Company's share capital carries a restriction on tax suspension for fiscal purposes for an amount of 1,191 million euros (11,104 million euros at December 31, 2021), down 9,913 million euros following revocation of the realignment of goodwill in accordance with art. 1, subsections 624 and 624-bis of Law no. 234 of December 30, 2021 and the cessation of the corresponding restriction previously applied to the capital.

In 2022, the capital did not change, as shown in the following table:

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

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

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

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

The total value of ordinary treasury shares at December 31, 2022, amounting to 364 million euros, was recorded as follows: the part relating to accounting par value (63 million euros) recognized as a deduction from the share capital issued and the remaining part as a deduction from Other reserves and retained earnings (accumulated losses), including profit (loss) for the year.

Disclosure on share capital

The ordinary and savings shares of TIM S.p.A. are listed in Italy (FTSE index).

In the shareholder resolutions passed to increase share capital against cash payments, the pre-emption right can be excluded to the maximum extent of ten percent of the pre-existing share capital, on condition that the issue price corresponds to the market price of the shares and that this is confirmed in a specific report issued by the firm charged with the audit of the Company.

The Group sources itself with the capital necessary to fund its business development and operation requirements; the sources of funds are found in a balanced mix of equity, permanently invested by the shareholders, and debt capital, to guarantee a balanced financial structure and minimize the total cost of capital, with a resulting advantage to all the stakeholders.

Debt capital is structured according to different maturities and currencies to ensure an adequate diversification of the sources of funding and an efficient access to external sources of financing (taking advantage of the best opportunities offered in the financial markets of the euro, U.S. dollar and Pound sterling areas to minimize costs), taking care to reduce the refinancing risk.

The remuneration of equity is proposed by the board of directors to the shareholders' meeting, during which the annual financial statements are approved, based upon market trends and business performance, once all the other obligations are met, including debt servicing. Therefore, to ensure an adequate remuneration of capital, safeguard company continuity and business development, the Group constantly monitors the change in debt levels in relation to equity, the level of net debt and the operating margin of industrial operations.

Privileges of savings shares

The privileges of TIM S.p.A. savings shares are indicated below:

- the profit shown in the duly approved financial statements, after deducting the amount to be allocated to the legal reserve, must be distributed to the holders of savings shares in an amount up to 5% of the 0.55 euros per share;
- after assigning preferred dividends to the savings shares, the distribution of which is approved by the shareholders' meeting, the remaining profit shall be allocated among all the shares, so that savings shares are entitled to higher overall dividends than ordinary shares would be entitled to, to the extent of 2% of 0.55 euros per share;
- when, in any one year, dividends of below 5% of the 0.55 euros per share are paid to the savings shares, the difference is determined as an increase of the privileged dividend in the next two subsequent years;
- in the event of a distribution of reserves, the savings shares have the same rights as the other shares. Moreover, when there is no profit or insufficient profit is reported in the financial statements for a given year to satisfy the aforesaid savings shares privileges, the Shareholders' Meeting called to approve those financial statements may choose to satisfy the dividend right and/or the higher dividend right by distributing available reserves. The distribution of available reserves for such payments excludes the application of the mechanism extending the right to the preferred dividend not paid through the distribution of profits for the following two years;
- the reduction of share capital as a result of losses does not affect the savings shares except for the amount of the loss which is not covered by the portion of the share capital represented by the other shares;
- upon the wind-up of TIM S.p.A., the savings shares have a pre-emption right in the reimbursement of capital up to the amount of 0.55 euros per share;
- in the event of the cessation of trading in the Company's ordinary or savings shares, the holder of savings shares may ask TIM S.p.A. to convert his/her shares into ordinary shares, using the method selected during a special session of the shareholders' meeting called for that purpose within two months of being excluded from trading.

Additional paid-in capital, amounting to 2,133 million euros, was unchanged with respect to December 31, 2021.

Other reserves moved through the Statements of comprehensive income comprised:

- The **Reserve for financial assets measured at fair value through other comprehensive income**, negative for 58 million euros at December 31, 2022, decreased by 107 million euros compared to the figure at

December 31, 2021. In particular, the change in 2022 includes the losses from the securities portfolio of Telecom Italia Finance (50 million euros, of which 21 million euros were realized), the losses on the TI Ventures securities portfolio (6 million euros), the losses recorded by Olivetti for the valuation of SECO S.p.A. (36 million euros), the losses related to other current financial assets held by the Parent Company TIM (13 million euros) and the losses related to the equity investment in Fin.Priv. S.r.l. of the Parent Company TIM (2 million euros). This reserve is stated net of deferred tax assets of 3 million euros (at December 31, 2021, it was stated net of deferred tax liabilities of 1 million euros).

- The **Reserve for hedging instruments** had a positive balance of 65 million euros at December 31, 2022, (negative 128 million euros at December 31, 2021). This reserve is stated net of deferred tax liabilities of 22 million euros (at December 31, 2021, it was stated net of deferred tax assets of 39 million euros). In particular, this reserve includes the effective portion of gains or losses on the fair value adjustments of derivatives designated as hedges of the exposure to volatility in the cash flows of assets or liabilities recognized in the financial statements ("cash flow hedge").
- The **Reserve for exchange differences on translating foreign operations** showed a negative balance of 2,085 million euros at December 31, 2022 (negative 2,500 million euros at December 31, 2021) and mainly related to exchange differences resulting from the translation into euros of the financial statements of companies belonging to the Brazil Business Unit (negative for 2,114 million euros versus negative for 2,523 million euros at December 31, 2021).
- The **Reserve for the remeasurement of employee defined benefit plans**, negative for 71 million euros, increased by 59 million euros compared with December 31, 2021 following the recording of the changes in actuarial gains (losses), net of the related income tax effect.
- The **Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method** is nil at both December 31, 2022 and December 31, 2021.

Other sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year amounted to 3,463 million euros and decreased by 2,913 million euros, as detailed below:

(million euros)	2022	2021
Profit (loss) for the year attributable to owners of the Parent	(2,925)	(8,652)
Dividends approved - TIM S.p.A.	—	(318)
Equity instruments	6	7
FiberCop - capital increase	—	(98)
Other changes	6	(44)
Change for the year in Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	**(2,913)**	**(9,105)**

Note that following the specified revocation of the realignment of goodwill, the corresponding restriction previously placed on the Parent Company's reserves under tax suspension for fiscal purposes in accordance with Decree Law 104/2020, Art. 110, subsection 8, was lifted.

In 2022, no dividends were deliberated.

In 2021, dividends approved by TIM S.p.A. are 318 million euros and refer to the distribution to Shareholders of a dividend of 0.0100 euro per ordinary share and 0.0275 euro per savings share, gross of statutory withholding taxes.

Equity attributable to non-controlling interests, amounting to 3,664 million euros, mainly refers to FiberCop S.p.A. (2,122 million euros) and the companies of the Brazil Business Unit (1,545 million euros) and shows a decrease of 961 million euros compared to December 31, 2021, as detailed below:

(million euros)	2022	2021
Profit (loss) for the year attributable to Non-controlling interests	271	252
Group Company dividends paid to minority shareholders	(86)	(55)
Changes in the Reserve for exchange differences on translating foreign operations	182	12
Daphne 3 - deconsolidation	(1,332)	—
FiberCop - capital increase	—	1,848
Daphne 3 - distribution of additional paid-in capital	—	(42)
Other changes	4	(15)
Change for the year in Equity attributable to Non-controlling interest	**(961)**	**2,000**

The Group company dividends paid to minority shareholders mainly referred to the Brazil Business Unit for 86 million euros. 2021 dividends mainly referred to the Brazil Business Unit for 55 million euros.

The Reserve for exchange differences on translating foreign operations attributable to non-controlling interest showed a negative balance of 973 million euros at December 31, 2022 (negative for 1,155 million euros at December 31, 2021), relating entirely to exchange differences arising from the translation into euros of the financial statements of the companies belonging to the Brazil Business Unit.

Future potential changes in share capital

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

NOTE 16

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

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

(million euros)		12/31/2022	12/31/2021
Non-current financial liabilities for financing contracts and others			
Financial payables (medium/long-term):			
Bonds		15,259	17,383
Convertible bonds		—	—
Amounts due to banks		5,898	4,394
Other financial payables		305	306
		21,462	**22,083**
Other medium/long-term financial liabilities:			
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature		234	1,337
Non-hedging derivatives		43	17
Other liabilities		—	—
		277	**1,354**
	(a)	**21,739**	**23,437**
Non-current financial liabilities for lease contracts	**(b)**	**4,597**	**4,064**
Total non-current financial liabilities	**c=(a+b)**	**26,336**	**27,501**
Current financial liabilities for financing contracts and others			
Financial payables (short term):			
Bonds		2,799	1,514
Convertible bonds		—	1,998
Amounts due to banks		1,766	2,099
Other financial payables		195	236
		4,760	**5,847**
Other short-term financial liabilities:			
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature		193	62
Non-hedging derivatives		86	36
Other liabilities		—	—
		279	**98**
	(d)	**5,039**	**5,945**
Current financial liabilities for lease contracts	**(e)**	**870**	**651**
Total current financial liabilities (*)	**f=(d+e)**	**5,909**	**6,596**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	**(g)**	**—**	**—**
Total Financial liabilities (Gross financial debt)	**h=(c+f+g)**	**32,245**	**34,097**

Further details on Financial Instruments are provided in the Note "Supplementary disclosures on financial instruments".

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

	12/31/2022		12/31/2021	
	(millions of foreign currency)	(million euros)	(millions of foreign currency)	(million euros)
USD	5,901	5,532	5,789	5,111
GBP	389	439	389	463
BRL	17,348	3,117	12,694	2,008
YEN	20,030	142	20,030	154
ILS	49	13	51	14
EUR		23,002		26,347
Total		**32,245**		**34,097**

For the exchange rates used for the conversion of amounts in foreign currency, see the Note "Other information".

The breakdown of gross financial debt by effective interest-rate bands applicable to the original currency is provided below, excluding the effect of any derivative hedging instruments:

(million euros)	12/31/2022	12/31/2021
Up to 2.5%	5,873	8,619
From 2.5% to 5%	13,469	12,872
From 5% to 7.5%	6,920	7,055
From 7.5% to 10%	2,024	1,971
Over 10%	2,748	1,437
Accruals/deferrals, MTM and derivatives	1,211	2,143
Total	**32,245**	**34,097**

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

(million euros)	12/31/2022	12/31/2021
Up to 2.5%	8,416	15,353
From 2.5% to 5%	13,168	9,936
From 5% to 7.5%	5,039	3,396
From 7.5% to 10%	1,192	1,334
Over 10%	3,219	1,935
Accruals/deferrals, MTM and derivatives	1,211	2,143
Total	**32,245**	**34,097**

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

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

	maturing by 12/31 of the year:						
(million euros)	2023	2024	2025	2026	2027	After 2027	Total
Bonds	2,423	3,406	2,000	1,750	1,250	6,723	17,552
Loans and other financial liabilities	962	1,021	1,419	2,249	727	170	6,548
Finance lease liabilities	786	1,178	593	505	447	1,873	5,382
Total	**4,171**	**5,605**	**4,012**	**4,504**	**2,424**	**8,766**	**29,482**
Current financial liabilities	1,109	—	—	—	—	—	1,109
Total	**5,280**	**5,605**	**4,012**	**4,504**	**2,424**	**8,766**	**30,591**

The main components of financial liabilities are commented below.

Bonds are broken down as follows:

(million euros)	12/31/2022	12/31/2021
Non-current portion	15,259	17,383
Current portion	2,799	1,514
Total carrying amount	**18,058**	**18,897**
Fair value adjustment and measurements at amortized cost	(506)	(559)
Total nominal repayment amount	**17,552**	**18,338**

The nominal repayment amount of bonds totaled 17,552 million euros, down by 2,786 million euros compared to December 31, 2021 (20,338 million euros) as a result of repayments made in 2022.

The change in bonds during 2022 was as follows:

Repayments

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A 2002-2022 reserved for subscription by employees	Euro	214	1/1/2022
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 following table lists the bonds issued by companies of the TIM Group, by issuing company, expressed at the nominal repayment amount, net of bond buy-backs, and also at market value:

Currency	Total (millions)	Nominal repayment amount (million euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 12/31/2022 (%)	Market value at 12/31/2022 (million euros)
Bonds issued by TIM S.p.A.								
Euro	1,000	1,000	3.250%	1/16/2015	1/16/2023	99.446	99.915	999
GBP	375	423	5.875%	5/19/2006	5/19/2023	99.622	99.331	420
Euro	1,000	1,000	2.500%	1/19/2017	7/19/2023	99.288	98.668	987
Euro	750	750	3.625%	1/20/2016	1/19/2024	99.632	97.978	735
Euro	1,250	1,250	4.000%	1/11/2019	4/11/2024	99.436	97.690	1,221
USD	1,500	1,406	5.303%	5/30/2014	5/30/2024	100	94.785	1,333
Euro	1,000	1,000	2.750%	4/15/2019	4/15/2025	99.320	95.816	958
Euro	1,000	1,000	3.000%	9/30/2016	9/30/2025	99.806	93.064	931
Euro	750	750	2.875%	6/28/2018	1/28/2026	100	91.261	684
Euro	1,000	1,000	3.625%	5/25/2016	5/25/2026	100	93.595	936
Euro	1,250	1,250	2.375%	10/12/2017	10/12/2027	99.185	84.352	1,054
Euro	1,000	1,000	1.625%	1/18/2021	1/18/2029	99.074	76.481	765
Euro	670	670	5.250%	3/17/2005	3/17/2055	99.667	74.328	498
Subtotal		**12,499**						**11,521**
Bonds issued by Telecom Italia Finance S.A. and guaranteed by TIM S.p.A.								
Euro	1,015	1,015	7.750%	1/24/2003	1/24/2033	(a) 109.646	105.749	1,073
Subtotal		**1,015**						**1,073**
Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A.								
USD	1,000	937.5	6.375%	10/29/2003	11/15/2033	99.558	81.924	768
USD	1,000	937.5	6.000%	10/06/2004	9/30/2034	99.081	76.235	715
USD	1,000	937.5	7.200%	7/18/2006	7/18/2036	99.440	81.424	763
USD	1,000	937.5	7.721%	6/04/2008	6/04/2038	100	83.681	785
Subtotal		**3,750**						**3,031**
Bonds issued by TIM S.A.								
BRL	1,600	288	IPCA+4.1682%	6/15/2021	6/15/2028	100	100	288
Subtotal		**288**						**288**
Total		**17,552**						**15,913**

(a) Weighted average issue price for bonds issued with more than one tranche.

The regulations and the Offering Circulars relating to the bonds of the TIM Group are available on the corporate website gruppotim.it.

On January 20, 2023, TIM issued a 5-year Bond for an amount of 850 million euros, coupon 6.875%.
Medium/long-term amounts **due to banks** totaled 5,898 million euros (4,394 million euros at December 31, 2021). On July 6, 2022, TIM stipulated a 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. Short-term amounts due to banks totaled 1,766 million euros (2,099 million euros at December 31, 2021) and included 845 million euros of the current portion of medium/long-term amounts due to banks and 495 million euros in repurchase agreements due by April 2023.

The other medium/long-term **financial payables** totaled 305 million euros (306 million euros at December 31, 2021), 140 million euros of which refer to the Telecom Italia Finance S.A. loan for JPY 20,000 million, maturing in 2029. Short-term other financial payables amounted to 195 million euros (236 million euros at December 31, 2021) and included 19 million euros of the current portion of medium/long-term other financial payables.

Medium/long-term **financial liabilities for lease contracts** amounted to 4,597 million euros (4,064 million euros at December 31, 2021), whilst short-term payables totaled 870 million euros (651 million euros at December 31, 2021) and included 856 million euros in the current portion of financial liabilities for medium/long-term lease contracts.

With reference to the finance lease liabilities recognized in 2022 and 2021, the following is noted:

(million euros)	2022	2021
Principal reimbursements	708	604
Cash out interest portion	315	263
Total	**1,023**	**867**

Hedging derivatives relating to items classified as non-current financial liabilities amount to 234 million euros (1,337 million euros at December 31, 2021). Hedging derivatives relating to items classified as current liabilities of a financial nature totaled 193 million euros (62 million euros at December 31, 2021).

Non-hedging derivatives classified as non-current financial liabilities came to 43 million euros (17 million euros at December 31, 2021), while non-hedging derivatives classified under current financial liabilities amounted to 86 million euros (36 million euros at December 31, 2021). These also include the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS.

Covenants and negative pledges in place at December 31, 2022

Bonds issued by TIM S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that result in the automatic early redemption of the bonds in relation to events other than the insolvency of the TIM Group; furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relating to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..

Since these bonds have been placed principally with institutional investors in main world capital markets (Euromarket and USA), the terms which regulate the bonds are in line with the market practice for similar transactions effected on these same markets.

Regarding loans taken out by TIM from the European Investment Bank (EIB), on May 19, 2021, TIM entered into a new loan for an amount of 230 million euros, in support of projects to digitize the country. In addition, on that same date, it extended the loan signed in 2019 (for an initial amount of 350 million euros) for an additional amount of 120 million euros.

Therefore, at December 31, 2022 the nominal total of outstanding loans with the EIB was 700 million euros, all drawn down and not backed by bank guarantee.

The two EIB loans signed on November 25, 2019 and May 19, 2021 contain the following covenants:

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

The TIM 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 loan in place, with the exception of the loan signed on July 6, 2022, which is backed by the “Italy Guarantee” (in accordance with art. 1, subsection 1 of Decree-Law no. 23 of April 8, 2020, as subsequently amended and supplemented).

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

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

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

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

Finally, as at December 31, 2022, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

Revolving Credit Facility 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.

Rating at December 31, 2022

At December 31, 2022, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	B+	Negative
MOODY'S	B1	Negative
FITCH RATINGS	BB-	Negative

NOTE 17
NET FINANCIAL DEBT

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

(million euros)		12/31/2022	12/31/2021
Liquid assets with banks, financial institutions and post offices	(a)	2,622	6,092
Other cash and cash equivalents	(b)	933	812
Securities other than investments	(c)	1,446	2,249
Liquidity	**(d=a+b+c)**	**5,001**	**9,153**
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(e)	1,115	1,538
Current portion of non-current financial debt	(f)	4,663	4,937
Current financial debt	**(g=e+f)**	**5,778**	**6,475**
Net current financial debt	**(h=g-d)**	**777**	**(2,678)**
Non-current financial debt (excluding the current part and debt instruments)	(i)	9,523	8,083
Debt instruments	(j)	15,259	17,383
Trade payables and other non-current debt (**)	(k)	117	81
Non-current financial debt	**(l=i+j+k)**	**24,899**	**25,547**
Total net financial debt as per ESMA guidelines 32-382-1138	**(m=h+l)**	**25,676**	**22,869**
Trade payables and other non-current debt (**)		(117)	(81)
Non-current financial receivables arising from lease contracts		(49)	(45)
Current financial receivables arising from lease contracts		(69)	(56)
Financial receivables and other current financial assets		(23)	(21)
Other financial receivables and other non-current financial assets		(48)	(250)
Financial assets/liabilities relating to discontinued operations/non-current assets held for sale		—	—
Subtotal	**(n)**	**(306)**	**(453)**
Net financial debt carrying amount (*)	**(p=m+n)**	**25,370**	**22,416**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(q)	(6)	(229)
Adjusted Net Financial Debt	**(r=p+q)**	**25,364**	**22,187**

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

(**) Mainly include the payables of the Brazil Business Unit for the purchase and renewal of telecommunications licenses (55 million euros at December 31, 2022), also including the payable due to Entidade Administradora da Conectividade de Escolas (EACE) for the development of certain infrastructural projects in Brazil in connection with the assignment of the rights of use of frequencies for 5G services.

Additional cash flow information required by IAS 7

(million euros)		12/31/2021	Cash movements: Receipts and/or issues	Cash movements: Payments and/or reimbursements	Non-cash movements: Exchange differences	Non-cash movements: Fair value changes	Non-cash movements: Other changes and reclassifica-tions	12/31/2022
Financial payables (medium/long-term):								
Bonds		18,897		(1,098)	312	(46)	(7)	18,058
Convertible bonds		1,998		(2,000)			2	—
Amounts due to banks		5,180	2,288	(804)	40		39	6,743
Other financial payables		321		(5)	7		1	324
	(a)	**26,396**	**2,288**	**(3,907)**	**359**	**(46)**	**35**	**25,125**
of which short-term		*4,313*						*3,663*
Medium/long-term finance lease liabilities:		**4,712**	**254**	**(708)**	**161**		**1,034**	**5,453**
	(b)	**4,712**	**254**	**(708)**	**161**	**—**	**1,034**	**5,453**
of which short-term		*648*						*856*
Other medium/long-term financial liabilities:								
Hedging derivative liabilities relating to hedged items classified as non-current assets/liabilities of a financial nature		1,399				(972)		427
Non-hedging derivative liabilities		52			7	50	16	125
Other liabilities		—						—
	(c)	**1,451**	**—**	**—**	**7**	**(922)**	**16**	**552**
of which short-term		*97*						*275*
Financial payables (short term):								
Amounts due to banks		1,313					(392)	921
Other financial payables		225			4	(2)	(33)	194
	(d)	**1,538**	**—**	**—**	**4**	**(2)**	**(425)**	**1,115**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale:		**—**						**—**
	(e)	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total Financial liabilities (Gross financial debt)								
	(f=a+b+c+d+e)	**34,097**	**2,542**	**(4,615)**	**531**	**(970)**	**660**	**32,245**
Hedging derivative receivables relating to hedged items classified as current and non-current assets/liabilities of a financial nature	(g)	2,015			267	(770)	7	1,519
Non-hedging derivative receivables	(h)	141			(1)	23	3	166
Total	(i=f-g-h)	**31,941**	**2,542**	**(4,615)**	**265**	**(223)**	**650**	**30,560**

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

(million euros)	2022	2021
Interest expense paid	(1,668)	(1,440)
Interest income received	562	437
Net total	**(1,106)**	**(1,003)**

To consider the components of CCIRS derivatives as a single transaction, a representation is given with interest flows in and out shown net. This approach gives the following results:

(million euros)	2022	2021
Interest expense paid	(1,297)	(1,104)
Interest income received	191	101
Net total	**(1,106)**	**(1,003)**

NOTE 18
FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies of the TIM Group

The TIM Group is exposed to the following financial risks in the ordinary course of its business operations:

- Market risk: stemming from changes in interest rates and exchange rates in connection with financial assets that have been originated and financial liabilities that have been assumed;
- Credit risk: representing the risk of non-fulfillment of obligations undertaken by the counterparty with regard to the liquidity investments of the Group;
- Liquidity risk: connected with the need to meet short-term financial commitments.

These financial risks are managed by:

- the establishment, at central level, of guidelines for directing operations;
- the work of an internal committee that monitors the level of exposure to market risks in accordance with pre-established general objectives;
- the identification of the most suitable financial instruments, including derivatives, to reach pre-established objectives;
- the monitoring of the results achieved;
- the exclusion of the use of financial instruments for speculative purposes.

The policies for the management and the sensitivity analyses of the above financial risks by the TIM Group are described below.

Identification of risks and analysis

The TIM Group is exposed to market risks, as a result of changes in interest rates and exchange rates, in the markets in which it operates or has bond issues, mainly in Europe, the United States, Great Britain and Latin America.

The financial risk management policies of the TIM Group are directed towards diversifying market risks, hedging exchange rate risk in full and minimizing interest rate exposure by an appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments.

The Group defines an optimum composition of its debt structure by balancing fixed and variable-rates and uses derivative financial instruments to achieve that debt 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 risk, the Group has adopted Guidelines on "Management and control of financial risk" and mainly uses the following financial derivatives:

- Interest Rate Swaps (IRS), to modify the profile of the original exposure to interest rate risks on loans and bonds, both fixed and variable;
- Cross Currency and Interest Rate Swaps (CCIRS) and Currency Forwards, to convert loans and bonds issued in currencies other than euro – principally in US dollars and British pounds – to the functional currencies of the operating companies.

Derivative financial instruments are designated as fair value hedges for managing exchange rate and interest rate risks on instruments denominated in currencies other than euro and for managing interest rate risk on fixed-rate loans in euros. Derivative financial instruments are designated as cash flow hedges when the objective is to pre-set the exchange rate of future transactions and the interest rate.

All derivative financial instruments are entered into with banking and financial counterparties with at least a "BBB-" rating from Standard & Poor's or an equivalent rating and a non-negative outlook. The exposure to the various market risks can be measured by sensitivity analyses, as set forth in IFRS 7. This analysis illustrates the effects produced by a given and assumed change in the levels of the relevant variables in the various reference markets (exchange rates, interest rates and prices) on finance income and expenses and, at times, directly on equity. The sensitivity analysis was performed based on the suppositions and assumptions indicated below:

- sensitivity analyses were performed by applying reasonably likely changes in the relevant risk variables to the amounts in the consolidated financial statements at December 31, 2022;
- changes in value of fixed-rate financial instruments, other than derivatives, produced by changes in the reference interest rates, generate an impact on profit only when, in accordance with IAS 39 and IFRS 9, they are accounted for at their fair value through profit and loss. All fixed-rate instruments, which are accounted for at amortized cost, are not subject to interest rate risk as defined by IFRS 7;
- in the case of fair value hedge relationships, fair value changes of the underlying hedged item and of the derivative instrument, due to changes in the reference interest rates, offset each other almost entirely in the income statement for the year. As a result, these financial instruments are not exposed to the interest rate risk;

- changes in the value of designated financial instruments in a cash flow hedge relationship, produced by changes in interest rates, generate an impact on the debt level and on equity; accordingly, they are included in this analysis;
- the changes in value, produced by changes in the reference interest rates, of variable-rate financial instruments, other than derivatives, which are not part of a cash flow hedge relationship, generate an impact on the finance income and expenses for the year; accordingly they are included in this analysis.

Exchange rate risk – Sensitivity analysis

At December 31, 2022 (and also at December 31, 2021), the exchange rate risk of the Group's loans denominated in currencies other than the functional currency of the single companies' financial statements was hedged in full. Accordingly, a sensitivity analysis was not performed on the exchange rate risk.

Interest rate risk – Sensitivity analysis

The change in interest rates on the variable component of payables and liquidity may lead to higher or lower finance income and expenses, while changes in the level of the expected interest rate affect the fair value measurement of the Group's derivatives. In particular:

- with regard to derivatives that convert the liabilities contracted by the Group to fixed rates (cash flow hedging), in line with international accounting standards that regulate hedge accounting, the fair value (mark-to-market) measurement of such instruments is set aside in a specific unavailable Equity reserve. The combined change of the numerous market variables to which the mark-to-market calculation is subject between the transaction inception date and the measurement date renders any assumption about the trend of the variables of little significance. As the contract expiration date approaches, the accounting effects described will gradually be absorbed until they cease to exist;
- if at December 31, 2022 the interest rates in the various markets in which the TIM Group operates had been 100 basis points higher/lower compared to the actual rates, then higher/(lower) finance expenses, before the income tax effect, would have been recognized in the consolidated income statement of 53 million euros (-18 million euros at December 31, 2021).

Refer to Note "Accounting Policies" for the potential risk generated by the reform of benchmark interest rates.

Allocation of the financial structure between fixed rate and variable rate

As for the allocation of the financial structure between the fixed-rate component and the variable-rate component, for both financial assets and liabilities, reference should be made to the following tables. These tables have been prepared by taking into account the nominal repayment/investment amount (since that amount expresses the effective interest rate exposure of the Group) and, as far as financial assets are concerned, the intrinsic nature (financial characteristics and duration) of the transactions under consideration rather than the stated contractual terms alone. Bearing that in mind, a transaction whose characteristics (short or very short time frame and frequent renewal) are such that the interest rate is periodically reset on the basis of market parameters, even though the contract does not call for re-fixing the interest rate (as in the case of bank deposits), has been considered in the variable rate category.

Total Financial liabilities (at the nominal repayment amount)

(million euros)	12/31/2022			12/31/2021		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Bonds	15,564	1,988	17,552	19,571	767	20,338
Loans and other financial liabilities	5,414	6,516	11,930	5,012	4,946	9,958
Total non-current financial liabilities (including the current portion of medium/long-term financial liabilities)	**20,978**	**8,504**	**29,482**	**24,583**	**5,713**	**30,296**
Total current financial liabilities (*)	**689**	**420**	**1,109**	**1,264**	**272**	**1,536**
Total	**21,667**	**8,924**	**30,591**	**25,847**	**5,985**	**31,832**

Total Financial assets (at the nominal investment amount)

(million euros)	12/31/2022			12/31/2021		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Cash and cash equivalents	—	2,621	2,621	—	6,092	6,092
Securities	1,520	908	2,428	1,421	1,616	3,037
Other receivables	1,085	63	1,148	1,008	51	1,059
Total	**2,605**	**3,592**	**6,197**	**2,429**	**7,759**	**10,188**

With regard to variable-rate financial instruments, the contracts provide for revisions of the related parameters to take place within the subsequent 12 months.

Effective interest rate

As to the effective interest rate, for the categories where that parameter can be determined, such parameter refers to the original transaction net of the effect of any derivative hedging instruments.

The disclosure, which is provided by class of financial asset and liability, has been determined, for purposes of calculating the weighted average, using the carrying amount adjusted by accruals, prepayments, deferrals and fair value adjustments: this is therefore the amortized cost, net of accruals and any changes in fair value, as a consequence of hedge accounting.

Total Financial liabilities

(million euros)	12/31/2022		12/31/2021	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Bonds	17,504	4.67	20,249	4.32
Loans and other financial liabilities	13,530	4.78	11,705	3.21
Total	**31,034**	**4.72**	**31,954**	**3.91**

Total Financial assets

(million euros)	12/31/2022		12/31/2021	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Cash and cash equivalents	2,621	0.93	6,092	0.00
Securities	2,428	1.28	3,037	1.08
Other receivables	188	3.11	364	3.40
Total	**5,237**	**1.17**	**9,493**	**0.47**

As for financial assets, the weighted average effective interest rate is not essentially influenced by the existence of derivatives.

As for market risk management using derivatives, reference should be made to the Note "Derivatives".

Credit risk

Exposure to credit risk for the TIM Group consists of possible losses that could arise from the failure of either commercial or financial counterparties to fulfill their assumed obligations. To measure this risk over time for impairment of financial assets (trade receivables due from customers included), the introduction of IFRS 9 required switching from the incurred loss model pursuant to IAS 39 to the expected credit loss model.

Such exposure mainly stems from general economic and financial factors, the potential occurrence of specific insolvency situations of some borrowers and other more strictly technical-commercial or administrative factors.

TIM Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the financial assets and trade receivables recorded in the financial statements, excluding guarantees received, described in the Note "Disputes and pending legal actions, other information, commitments and guarantees".

Risk related to trade receivables is managed using customer scoring and analysis systems. For specific categories of trade receivables, the Group also makes use of factoring, mainly on a "non-recourse" basis.

Provision charges for bad debts are recorded for specific credit positions that have an element of individual risk. On credit positions that do not have such characteristics, provision charges are recorded by customer segment according to the average uncollectibility estimated on the basis of statistics. Further details are provided in the Note "Trade and miscellaneous receivables and other current assets".

Financial assets other than trade receivables are written down for impairment on the basis of a general model which recognizes expected credit losses over the following 12 months, or over the residual life of the asset in the event of a substantial worsening of its credit risk. The expected credit loss is calculated based on the default probability and the percentage of credit that cannot be recovered in the event of a default (the loss given default).

The model adopted to calculate the expected credit loss is based on the Bloomberg Credit Risk Model, a model developed by Bloomberg which, starting from Merton's distance-to-default ("DD") concept, estimates the probability of default together with the recovery rate. At the same time, the loss given default is defined as the non-recoverable component of the post-default financial asset.

In particular, the DD - based on balance sheet data - is enriched with a series of additional information by country (macroeconomic, risk), business sector and individual company, as well as accounting adjustments aimed at ensuring uniformity of the model's outputs; finally, through a non-linear function of the DD, the default probability is obtained.

In order to improve credit risk management and relieve pressure on working capital, with specific reference to the offers for the Consumer market involving the option of paying for products by installments, starting February 1, 2021, the company TIMFin has been operating, the result of the corporate joint venture between Santander Consumer Bank (SCB) and TIM.

In 2022, TIMFin expanded the areas of operation, offering finance to also support sales made on the web store channel Tim.it, in addition to covering the physical stores as it had already been doing since the first year of operation.

Moreover, as regards credit risk relating to the asset components which contribute to the determination of "Net financial debt", it should be noted that the management of the Group's liquidity is guided by conservative criteria and is principally based on the following:

- Money market management: the investment of temporary excess cash resources;
- Bond portfolio management: the investment of medium-term liquidity, as well as the improvement of the average yield of the assets.

In order to mitigate the risk of the non-fulfillment of the obligations undertaken by the counterparty, deposits of the European companies are made with leading banking and financial institutions rated no lower than investment grade and with a non-negative outlook, and investments by the companies in South America are made with leading local counterparties. Moreover, deposits are made generally for periods of less than three months. With regard to other temporary investments of liquidity, there is a bond portfolio in which the investments have a low risk level. All investments have been carried out in compliance with the Group Guidelines on "Management and control of financial risk".

In order to minimize credit risk, the Group also pursues a diversification policy for its investments of liquidity and allocation of its credit positions among different banking counterparties. Consequently, there are no significant positions with any one single counterparty.

Liquidity risk

The Group pursues the objective of achieving an "adequate level of financial flexibility", which is expressed by maintaining a current treasury margin to cover the refinancing requirements at least for the next 12 months with irrevocable bank lines and liquidity.

At December 31, 2022, the liquidity margin available for the TIM Group is 9,001 million euros, with a decrease of 4,152 million euros with respect to end 2021 (13,153 million euros). Moreover, on January 20, 2023, TIM issued a 5-year Bond for an amount of 850 million euros and a coupon of 6.875%.
17% of gross financial debt at December 31, 2022 (nominal repayment amount) will become due in the next 12 months.

Current financial assets at December 31, 2022, together with unused committed bank lines, are sufficient to fully cover the Group’s financial liabilities due for the next 18 months.

The following tables report the contractual cash flows, not discounted to present value, related to gross financial debt at nominal repayment amounts and the interest flows, determined using the terms and the interest and exchange rates in place at December 31, 2022. The portions of principal and interest of the hedged liabilities includes both the disbursements and the receipts of the related hedging instruments. Specifically, the interest portions of "Loans and other financial liabilities" also include those relating to derivatives hedging for both loans and bonds.

Financial liabilities – Maturities of contractually expected disbursements

(million euros)		maturing by 12/31 of the year:						
		2023	**2024**	**2025**	**2026**	**2027**	**After 2027**	**Total**
Bonds	Principal	2,423	3,406	2,000	1,750	1,250	6,723	17,552
	Interest portion	772	653	539	480	419	3,611	6,474
Loans and other financial liabilities (*)	Principal	962	1,021	1,419	2,249	727	170	6,548
	Interest portion	108	32	(12)	(70)	(82)	(854)	(878)
Finance lease liabilities	Principal	786	1,178	593	505	447	1,873	5,382
	Interest portion	405	345	286	231	199	753	2,219
Non-current financial liabilities	**Principal**	**4,171**	**5,605**	**4,012**	**4,504**	**2,424**	**8,766**	**29,482**
	Interest portion	**1,285**	**1,030**	**813**	**641**	**536**	**3,510**	**7,815**
Current financial liabilities	**Principal**	**1,109**	**—**	**—**	**—**	**—**	**—**	**1,109**
	Interest portion	**25**	**—**	**—**	**—**	**—**	**—**	**25**
Total	**Principal**	**5,280**	**5,605**	**4,012**	**4,504**	**2,424**	**8,766**	**30,591**
	Interest portion	**1,310**	**1,030**	**813**	**641**	**536**	**3,510**	**7,840**

(*) These include hedging and non-hedging derivatives.

Derivatives on financial liabilities – Contractually expected interest flows

(million euros)	maturing by 12/31 of the year: 2023	2024	2025	2026	2027	After 2027	Total
Disbursements	306	247	223	223	222	1,522	2,743
Receipts	(423)	(369)	(334)	(334)	(334)	(2,454)	(4,248)
Hedging derivatives – net (receipts) disbursements	**(117)**	**(122)**	**(111)**	**(111)**	**(112)**	**(932)**	**(1,505)**
Disbursements	334	193	70	154	139	143	1,033
Receipts	(237)	(145)	(41)	(141)	(135)	(148)	(847)
Non-Hedging derivatives – net (receipts) disbursements	**97**	**48**	**29**	**13**	**4**	**(5)**	**186**
Total net disbursements (receipts)	**(20)**	**(74)**	**(82)**	**(98)**	**(108)**	**(937)**	**(1,319)**

Market value of derivative instruments

In order to determine the fair value of derivatives, the TIM Group uses various valuation models.

The mark-to-market calculation is determined by the present value discounting of the interest and notional future contractual flows using market interest rates and exchange rates.

The notional amount of IRS does not represent the amount exchanged between the parties and, therefore, is not a measurement of credit risk exposure, which, instead, is limited to the amount of the difference between the interest rates paid/received.

The market value of CCIRSs, on the other hand, also depends on the differential between the reference exchange rate at the date of signing the contract and the exchange rate at the date of measurement, since CCIRSs involve the exchange of the reference interest and principal, in the respective denomination currencies.

Options are measured according to the Black & Scholes or Binomial models and involve the use of various measurements factors, such as: the lifetime horizon of the option, the risk-free rate of return, current price, volatility and any cash flows (e.g. dividend) of the underlying financial instrument, and the exercise price.

NOTE 19
DERIVATIVES

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

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

Derivative financial instruments existing at December 31, 2022 are principally used to manage debt positions. They include interest rate swaps (IRSs) used to reduce the interest rate exposure of fixed-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), currency forwards and foreign exchange options to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.

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

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

Hedging: economic relationship between underlying instrument and derivatives

Hedging relationships recorded in hedge accounting at 12/31/2022 belong to two categories: i) hedging of the fair value of bond issues denominated in euros and ii) hedging of cash flows from income flows of bond issues and future trade items denominated in currencies other than the Euro.

In the first case, the hedged risk is represented by the fair value of the bond attributable to euro interest rates and is hedged by IRS. The current value of both the underlying and derivative instruments, depends on the structure of the Euro market interest rates at the basis of the calculation of discount factors and floating interest flows of the derivative. In particular, interest rate fluctuations translate as changes in the discount factors of the fixed-interest expense flow on the underlying instrument; on the derivative, changes in the discount factor of interest income will occur, as well as changes in the nominal flow of variable interest (only partially corrected by the discounting effect). The effects induced on the derivative are opposite, in accounting terms, to the effects on the underlying instrument.

In the second case, relating to the bond issues, the hedged risk is represented by the variability in cash flows (and the repayment of the nominal amount) generated by exchange rates; hedging comprises combinations of IRS and CCIRS that synthetically transform fixed rate foreign currency income flows into fixed rate euro flows. In this case, exchange rate fluctuations will usually produce physiologically opposite effects on the

underlying instrument and on the derivative, as the receivable leg of the latter faithfully reflects the underlying instrument, while the payable leg is denominated in euros, and is therefore insensitive to the exchange rate. As regards the commercial forecast transactions, the risk hedged is always ascribed to the variability of the cash flow linked to exchange rates, but the hedge is assured through an active deposit denominated in the same currency as the items hedged; the write-backs/write-downs of the deposit in foreign currency generated by oscillations in the exchange rate are structurally the same and opposite to the impacts produced on the underlying items.

Hedges: determination of the hedge ratio

The types of hedging implemented by the Group require the adoption of a hedge ratio equal to 1:1, as the types of risk hedged (interest rate and exchange rate risks) are such as to generate economic effects in the underlying instruments that can only be offset by the same notional quantities of derivative instruments.

Hedges: potential sources of ineffectiveness

The contractualization of derivatives to hedge financial risks takes place at arm's length and aims to completely neutralize the effects produced by such instruments.

However, in practice, both fair value hedges and cash flows hedges, although financially perfect, may not guarantee an absolute accounting effectiveness due to the many counterparty banks involved, to the peculiar nature of certain derivatives in terms, for example, of fixing and/or indexing of variable parameters, and to the possible imperfect coincidence between critical terms.

The first table indicates total financial derivatives of the TIM Group at December 31, 2022 and 2021; in compliance with standard IFRS 7, notional amounts are shown with reference to all the derivative instruments involved in the hedges.

The following tables break down financial derivatives by type of risk for each kind of hedging, separating financial assets and liabilities. For CCIRS, the notional amount refers to the contractual value in euros, for IRS in a currency other than the euro, the value is indicated at the market exchange rate.

Type (million euros)	**Hedged risk**	**Notional amount at 12/31/2022**	**Notional amount at 12/31/2021**	**Mark to Market Spot* (Clean Price) at 12/31/2022**	**Spot Mark-to-Market* (Clean Price) at 12/31/2021**
Interest rate swaps	Interest rate risk	300	300	—	3
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	—	—	—	—
Total Fair Value Hedge Derivatives		**300**	**300**	**—**	**3**
Interest rate swaps	Interest rate risk	4,994	4,855	249	375
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	5,184	5,195	770	173
Total Cash Flow Hedge Derivatives		**10,178**	**10,050**	**1,019**	**548**
Total Non-Hedge Accounting Derivatives		**2,638**	**2,702**	**23**	**60**
Total TIM Group's Derivatives		**13,116**	**13,052**	**1,042**	**611**

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

The positions in non hedge accounting derivatives also include IRS Euros for a total notional amount of 1,400 million euros; specifically, these are fair value hedges of bond loans in euros, maturing in January 2024 and which were discontinued in 2021.

In the same item the following are also noted:

- the value - equal to a fair value of 15 million euros (liabilities) - of the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Sarl, as minority shareholder, under the scope of the FiberCop transaction;
- the value of the right held by TIM Brasil to subscribe shares of the Brazilian C6 Bank - of 112 million euros - on the basis of a commercial agreement signed by the two companies in March 2020.

Fair value hedges (million euros)	Accounting item		Notional value	Carrying amount	Change in fair value for the year
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)	**300**	**—**	**(3)**
Assets				—	
Liabilities				–	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	–	–	–
Assets				**–**	
Liabilities				**–**	
Derivative instruments (spot value)		a)+b)	**300**	**—**	**(3)**
Accruals				1	
Derivative instruments (gross value)				**1**	
Underlying instruments [1]	Bonds - Current/non-current liabilities		**300**	**(300)**	
of which fair value adjustment	Fair value adjustment and measurements at amortized cost	c)		—	3
Ineffectiveness		a)+b)+c)			1
Fair value adjustment for hedging settled in advance [2]				(83)	

(1) Includes the amortized cost value of bonds currently hedged plus the fair value adjustment.
(2) Referred to bonds no longer hedged, which are therefore not presented in the table.

Cash flow hedges (million euros)	Accounting item		Notional value	Carrying amount	Change in fair value for the year	Change in cumulative fair value
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)	**4,994**	**249**	**(126)**	
Assets				403	(727)	
Liabilities				(154)	601	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	**5,184**	**770**	**597**	
Assets				981	227	
Liabilities				(211)	371	
Derivative instruments (spot value)		a)+b)	**10,178**	**1,019**	**471**	
Accruals				73		
Derivative instruments (gross value)				**1,092**		
of which equity reserve gains and losses					225	
Determination of ineffectiveness						
Change in derivatives		c)				253
Change in underlying instruments [3]		d)				(253)
Ineffectiveness [4]	Positive fair value adjustment of financial derivatives - non-hedging	c)+d)				6
Equity reserve						
Equity reserve balance				87		
of which due to the fair value of hedging settled in advance				—		
Reclassification to P&L	Negative reversal of the reserve for the fair value adjustment of hedging derivatives (cash flow hedges)				11	

(3) Hypothetical derivatives used in measuring the effectiveness of cash flow hedges.
(4) The ineffectiveness, due to its nature and calculation, does not necessarily coincide with the difference in cumulative changes in the fair value of derivatives and the underlying instrument; the effect due to the adoption of CVA/DVA is not considered.

The change in the equity reserve attributable to the effective hedging component is equal to 254 million euros.

Changes in the equity cash flow hedge reserve (million euros)	Balance 12/31/2021	Change				Balance 12/31/2022
		Hedging instrument gains / losses	Reversal from reclassification	Reversal from fair value adjustment of hedging settled in advance	Other	
	(167)					87
Change in the effective fair value of derivatives		225				
Change in the CVA/DVA		33				
Reversal for ineffectiveness 2019			11			
Amortization in P&L of the fair value of hedging settled in advance				(15)		
Other					—	
Overall change						**254**

None of the parameters represented includes any income tax effect.

The transactions hedged by cash flow hedges will generate cash flows and produce economic effects in the income statement in the periods indicated in the following table:

Denomination currency	**Notional amount in denomination currency** (millions)	**Start of period**	**End of period**	**Rate applied**	**Interest period**	**Hedging of notional amount in euro** (millions)	**Hedging of rate in euro**
GBP	375	Jan-23	May-23	5.875%	Annually	552	5.535%
JPY*	20,000	Jan-23	Oct-29	5.000%	Semiannuall	174	5.940%
JPY**	20,000	Jan-23	Oct-29	0.750%	Semiannuall	138	0.696%
USD	1,000	Jan-23	Nov-33	6.375%	Semiannuall	849	5.994%
USD	1,500	Jan-23	May-24	5.303%	Semiannuall	1,099	4.226%
USD	1,000	Jan-23	Sept-34	6.000%	Semiannuall	794	4.332%
USD	1,000	Jan-23	July-36	7.200%	Semiannuall	791	5.884%
USD	1,000	Jan-23	Jun-38	7.721%	Semiannuall	645	7.470%

* Income cash flows are denominated in USD and calculated on a notional amount of USD 187.6 million.
** Hedging of the sole income cash flow following a step-up on the loan.

The method selected to test the effectiveness retrospectively and, whenever the main terms do not fully coincide, prospectively, for cash flow hedge derivatives and fair value hedge derivatives is the Volatility Risk Reduction (VRR) Test. This test assesses the ratio between the portfolio risk (meaning the derivative and the item hedged) and the risk of the hedged item taken individually. In essence, the portfolio risk must be significantly lower than the risk of the hedged item.

NOTE 20

SUPPLEMENTARY DISCLOSURES ON FINANCIAL INSTRUMENTS

Measurement at fair value

For the purposes of the comparative information between the carrying amounts and fair value of financial instruments, required by IFRS 7, the majority of the non-current financial liabilities of the TIM Group consist of bonds, whose fair value is directly observable in the financial markets, as they are financial instruments that due to their size and diffusion among investors, are commonly traded on the relevant markets (see the Note "Non-current and current financial liabilities"). For other types of financing, however, the following assumptions have been made in determining fair value:

- for variable-rate loans, the nominal repayment amount has been assumed;
- for fixed-rate loans, the present value of future cash flows at the market interest rates of December 31, 2022 has been assumed;
- the carrying amount has been used for some types of loans granted by government institutions for social development purposes, for which fair value cannot be reliably calculated.

Lastly, for the majority of financial assets, their carrying amount is a reasonable approximation of their fair value, since these are short-term investments that are readily convertible into cash.

The fair value measurement of the financial instruments of the Group has been classified in the three levels set out in IFRS 7. In particular, the fair value hierarchy introduces the following levels of input:

- Level 1: quoted prices in active markets;
- Level 2: prices calculated using observable market inputs;
- Level 3: prices calculated using inputs that are not based on observable market data.

The following tables contain, for assets and liabilities at December 31, 2022 and December 31, 2021 and in accordance with the categories established by IFRS 9, the supplementary disclosures on financial instruments required by IFRS 7 and the schedules of gains and losses. They do not include Discontinued operations/Non-current assets held for sale and Liabilities directly associated with Discontinued operations/Non-current assets held for sale.

Key for IFRS 9 categories

	Acronym
Financial assets measured at:	
Amortized cost	AC
Fair value through other comprehensive income	FVTOCI
Fair value through profit or loss	FVTPL
Financial liabilities measured at:	
Amortized cost	AC
Fair value through profit or loss	FVTPL
Hedging Derivatives	HD
Not applicable	n.a.

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2022

(million euros)	IFRS 9 categories	Notes	Carrying amount in financial statements at 12/31/2022	Amounts recognized in financial statements			Levels of hierarchy or of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2022
				Amortized cost	Fair value through other comprehensive income	Fair value through separate income statement	Level 1	Level 2	Level 3		
ASSETS											
Financial assets measured at amortized cost	AC		**6,888**	**6,888**	**—**	**—**					**6,888**
Non-current assets											
Receivables from employees		(10)	*39*	*39*							
Other financial receivables		(10)	*9*	*9*							
Miscellaneous non-current receivables		(11)	*275*	*275*							
Current assets											
Receivables from employees		(10)	*21*	*21*							
Other short-term financial receivables		(10)	*2*	*2*							
Cash and cash equivalents		(10)	*3,555*	*3,555*							
Trade receivables		(14)	*2,874*	*2,874*							
Other current receivables		(14)	*96*	*96*							
Contract assets		(14)	*17*	*17*							
Financial assets measured at fair value through other comprehensive income	FVTOCI		**1,156**	**—**	**1,156**	**—**					**1,156**
Non-current assets											
Other investments		(9)	*116*		*116*		*56*	*20*	*40*		
Securities other than investments		(10)	*—*		*—*		*—*				
Current assets											
Trade receivables		(14)			*—*						
Securities other than investments		(10)	*1,040*		*1,040*		*1,040*				
Financial assets measured at fair value through profit or loss	FVTPL		**572**	**—**	**—**	**572**					**572**
Non-current assets											
Non-hedging derivatives		(10)	*119*			*119*		*119*	*—*		
Current assets											
Securities other than investments		(10)	*406*			*406*	*406*				
Non-hedging derivatives		(10)	*47*			*47*		*47*			
Hedging Derivatives	HD		**1,519**	**—**	**1,518**	**1**					**1,519**
Non-current assets											
Hedging Derivatives		(10)	*1,435*		*1,435*	*—*		*1,435*	*—*		
Current assets											
Hedging Derivatives		(10)	*84*		*83*	*1*		*84*	*—*		
Financial receivables for lease contracts	n.a.		**118**							**118**	**118**
Non-current assets		(10)	*49*							*49*	
Current assets		(10)	*69*							*69*	
Total			**10,253**	**6,888**	**2,674**	**573**	**1,502**	**1,705**	**40**	**118**	**10,253**

The financial instruments belonging to hierarchy level 3 of fair value are represented by the following Other investments recognized as Non-current assets, for which directly or indirectly observable prices on the market are not available:

- Northgate CommsTech Innovations Partners L.P.;
- UV T-Growth;
- Other minor companies.

Northgate CommsTech Innovations Partners L.P. and UV-T Growth was measured based on the latest available Net Asset Values reported by the fund managers.

The other minor companies were measured on the basis of an analysis, deemed reliable, of their main assets and liabilities.

The profit/(loss) recognized in Other components of the Consolidated Statements of Comprehensive Income were recognized within the scope of the Reserve for financial assets measured at fair value through other comprehensive income.

(million euros)	IFRS 9 categories	Notes	Carrying amount in financial statements at 12/31/2022	Amounts recognized in financial statements			Levels of hierarchy or of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2022
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
LIABILITIES											
Financial liabilities measured at amortized cost	AC/HD		**31,939**	**31,939**							**29,975**
Non-current liabilities											
Financial payables (medium/long-term)		(16)	*21,462*	*21,462*							
Current liabilities											
Financial payables (short-term)		(16)	*4,760*	*4,760*							
Trade and miscellaneous payables and other current liabilities		(24)	*5,584*	*5,584*							
Contract liabilities		(24)	*133*	*133*							
Financial liabilities measured at fair value through profit or loss	FVTPL		**129**			**129**					**129**
Non-current liabilities											
Non-hedging derivatives		(16)	*43*			*43*		*28*	*15*		
Current liabilities											
Non-hedging derivatives		(16)	*86*			*86*		*86*	—		
Hedging Derivatives	HD		**427**		**427**	**—**					**427**
Non-current liabilities											
Hedging Derivatives		(16)	*234*		*234*	—		*234*	—		
Current liabilities											
Hedging Derivatives		(16)	*193*		*193*	—		*193*	—		
Finance lease liabilities	n.a.		**5,467**							**5,467**	**5,404**
Non-current liabilities		(16)	*4,597*							*4,597*	
Current liabilities		(16)	*870*							*870*	
Total			**37,962**	**31,939**	**427**	**129**	**—**	**541**	**15**	**5,467**	**35,935**

Note that financial liabilities include a financial instrument for an amount of 15 million euros, belonging to hierarchy level 3 of fair value, for which directly or indirectly observable prices on the market are not available. This financial liability refers to the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Sarl, as minority shareholder, under the scope of the FiberCop transaction.

The measurement of the economic value of the financial liability has been taken using a valuation model defined internally by TIM. Through an econometric approach, the correlation has been first estimated between the targets set at a national level and a series of macro economic and social-demographic variables. Then taking into account the uncertainty as to how these variables will evolve and the market share of FiberCop, through Monte Carlo simulation, a series of possible developments of the phenomenon was calculated and the expected value of the financial liability, determined.

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2021

(million euros)	IFRS 9 categories	Notes	Carrying amount at 12/31/2021	Amounts recognized in financial statements			Levels of hierarchy or of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2021
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
ASSETS											
Financial assets measured at amortized cost	AC		**10,115**	**10,115**	**—**	**—**					**10,115**
Non-current assets											
Receivables from employees		(10)	*39*	*39*							
Other financial receivables		(10)	*211*	*211*							
Miscellaneous non-current		(11)	*144*	*144*							
Current assets											
Receivables from employees		(10)	*12*	*12*							
Other short-term financial receivables		(10)	*9*	*9*							
Cash and cash equivalents		(10)	*6,904*	*6,904*							
Trade receivables		(14)	*2,675*	*2,675*							
Other current receivables		(14)	*101*	*101*							
Contract assets		(14)	*20*	*20*							
Financial assets measured at fair value through other comprehensive income	FVTOCI		**1,671**	**—**	**1,671**	**—**					**1,671**
Non-current assets											
Other investments		(9)	*156*		*156*		*92*	*22*	*42*		
Securities other than investments		(10)	—		—		—				
Current assets											
Trade receivables		(14)			—						
Securities other than investments		(10)	*1,515*		*1,515*		*1,515*				
Financial assets measured at fair value through profit or loss	FVTPL		**875**	**—**	**—**	**875**					**875**
Non-current assets											
Non-hedging derivatives		(10)	*100*			*100*		*100*	—		
Current assets											
Securities other than investments		(10)	*734*			*734*	*734*				
Non-hedging derivatives		(10)	*41*			*41*		*41*			
Hedging Derivatives	HD		**2,015**	**—**	**2,012**	**3**					**2,015**
Non-current assets											
Hedging Derivatives		(10)	*1,935*		*1,933*	*2*		*1,935*	—		
Current assets											
Hedging Derivatives		(10)	*80*		*79*	*1*		*80*	—		
Financial receivables for lease contracts	n.a.		**101**							**101**	**101**
Non-current assets		(10)	*45*							*45*	
Current assets		(10)	*56*							*56*	
Total			**14,777**	**10,115**	**3,683**	**878**	**2,341**	**2,178**	**42**	**101**	**14,777**

(million euros)	IFRS 9 categories	Notes	Carrying amount at 12/31/2021	Amounts recognized in financial statements			Levels of hierarchy or of fair value		Carrying amount under IFRS 16	Fair Value at 12/31/2021
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Level 1	Level 2		
LIABILITIES										
Financial liabilities measured at amortized cost	AC/HD		**35,096**	**35,096**						**36,077**
Non-current liabilities										
Financial payables (medium/long-term)		(16)	*22,083*	*22,083*						—
Current liabilities										
Financial payables (short-term)		(16)	*5,847*	*5,847*						—
Trade and miscellaneous payables and other current liabilities		(24)	*7,056*	*7,056*						
Contract liabilities		(24)	*110*	*110*						
Financial liabilities measured at fair value through profit or loss	FVTPL		**53**			**53**				**53**
Non-current liabilities										
Non-hedging derivatives		(16)	*17*			*17*		*2*		
Current liabilities										
Non-hedging derivatives		(16)	*36*			*36*		*36*		
Hedging Derivatives	HD		**1,399**		**1,399**	**—**				**1,399**
Non-current liabilities										
Hedging Derivatives		(16)	*1,337*		*1,337*	—		*1,337*		
Current liabilities										
Hedging Derivatives		(16)	*62*		*62*	—		*62*		
Finance lease liabilities	n.a.		**4,715**						**4,715**	**5,542**
Non-current liabilities		(16)	*4,064*						*4,064*	
Current liabilities		(16)	*651*						*651*	
Total			**41,263**	**35,096**	**1,399**	**53**	**—**	**1,437**	**4,715**	**43,071**

Gains and losses by IAS 9 category - Year 2022

(million euros)	IFRS 9 categories	Net gains/(losses) 2022	of which interest
Assets measured at amortized cost	AC	(181)	106
Assets and liabilities measured at fair value through profit or loss	FVTPL	(141)	
Assets measured at fair value through other comprehensive income	FVTOCI	2	
Liabilities measured at amortized cost	AC	(1,056)	940
Total		**(1,376)**	**1,046**

Gains and losses by IAS 9 category - Year 2021

(million euros)	IFRS 9 categories	Net gains/(losses) 2021	of which interest
Assets measured at amortized cost	AC	(275)	62
Assets and liabilities measured at fair value through profit or loss	FVTPL	(10)	
Assets measured at fair value through other comprehensive income	FVTOCI	5	
Liabilities measured at amortized cost	AC	(958)	870
Total		**(1,238)**	**932**

NOTE 21
EMPLOYEE BENEFITS

This item rose by 93 million euros compared to December 31, 2021. The figure breaks down as follows:

(million euros)		12/31/2020	Increases/ Present value	Decrease	Exchange differences and other changes	12/31/2021
Provision for employee severance indemnities	**(a)**	**701**	**20**	**(48)**	**5**	**678**
Provisions for pension plans		23	—	(2)	—	21
Provision for termination benefit incentives and corporate restructuring		39	8	(44)	(3)	—
Total other employee benefits	**(b)**	**62**	**8**	**(46)**	**(3)**	**21**
Total	**(a+b)**	**763**	**28**	**(94)**	**2**	**699**
of which:						
non-current portion		724				699
current portion (*)		39				—

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

(million euros)		12/31/2021	Increases/ Present value	Decrease	Exchange differences and other changes	12/31/2022
Provision for employee severance indemnities	**(a)**	**678**	**(61)**	**(64)**		**553**
Provision for pension and other plans		21	(3)	(2)		16
Provision for termination benefit incentives and corporate restructuring		—	224		(1)	223
Total other employee benefits	**(b)**	**21**	**221**	**(2)**	**(1)**	**239**
Total	**(a+b)**	**699**	**160**	**(66)**	**(1)**	**792**
of which:						
non-current portion		699				684
current portion (*)		—				108

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

The **Provision for employee severance indemnities (T.F.R.)** only refers to Italian companies and decreased on the whole by 125 million euros. The decreases of 64 million euros relating to indemnities paid during the year to employees who terminated employment or for advances.

The changes recorded in "Increases/Present value" are as follows:

(million euros)	2022	2021
(Positive)/negative effect of curtailment	—	—
Current service cost (*)	—	—
Finance expenses	12	5
Net actuarial (gains) losses for the year	(73)	15
Total	**(61)**	**20**
Effective return on plan assets	there are no assets servicing the plan	

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

The net actuarial gains recognized at December 31, 2022 amounted to 73 million euros (net actuarial gains of 15 million euros in 2021), and are essentially connected with both staff turnover and changes to the technical-economic parameters used in the valuation: the inflation rate forecast went from 1.75% at December 31, 2021 to 2.30% at December 31, 2022; the discount rate increased, going from the 0.98% used at December 31, 2021 to 3.63% at December 31, 2022.

According to national law, the amount of provision for employee severance indemnities to which each employee is entitled depends on the period of service and must be paid when the employee leaves the company. The amount of severance indemnity due upon termination of employment is calculated on the basis of the period of employment and the taxable compensation of each employee. This liability is adjusted annually based on the official cost-of-living index and legally-set interest. The liability is not associated with any vesting condition or period or any funding obligation; accordingly, there are no assets servicing the provision. The liability is recognized net of the partial prepayments of the provision and payments of the amounts obtained by employees for the reasons permitted by the applicable regulations.

Under the regulations introduced by Italian Legislative Decree 252/2005 and Law no. 296/2006 with which, for companies with at least 50 employees, the severance indemnities accruing from 2007 are assigned, as elected by the employees, to either the INPS Treasury Fund or to supplementary pension funds and take the form of a "defined contribution plan".

However, for all companies, the revaluations of the amounts in the provision for employee severance indemnities existing at the election date, and also the amounts accrued and not assigned to supplementary pension plans for companies with less than 50 employees, are retained in the provision for employee severance indemnities. In accordance with IAS 19, the provision has been recognized as a "defined benefit plan".

In application of IAS 19, employee severance indemnities have been calculated using the "Projected Unit Credit Method" as follows:

- the future possible benefits which could be paid to each employee registered in the program in the event of retirement, death, disability, resignation etc. have been projected on the basis of a series of financial assumptions (cost-of-living increases, interest rate, increase in compensation etc.). The estimate of future benefits includes any increases for additional service seniority, as well as the estimated increase in the compensation level at the measurement date – only for employees of companies with less than 50 employees during the year 2006;
- the average present value of future benefits has been calculated, at the measurement date, on the basis of the annual interest rate adopted and of the probability that each benefit actually has to be paid;
- the liability of each company concerned has been calculated as the average present value of future benefits that will be generated by the existing provision at the measurement date, without considering any future accruals (for companies with at least 50 employees during the year 2006) or by identifying the amount of the average present value of future benefits which refer to the past service already accrued by the employee in the company at the measurement date (for the others), i.e. adopting the "service pro-rate".

The following assumptions have been made:

FINANCIAL ASSUMPTIONS	Executives	Non-executives
Inflation rate	**2.30% per annum**	**2.30% per annum**
Discount rate	**3.63% per annum**	**3.63% per annum**
Employee severance indemnities annual increase rate	**3.225% per annum**	**3.225% per annum**
Annual real wage growth:		
equal to or less than 40 years of age	1.0% per annum	1.0% per annum
over 40 but equal to or less than 55 years of age	0.5% per annum	0.5% per annum
over 55 years of age	0.0% per annum	0.0% per annum
DEMOGRAPHIC ASSUMPTIONS	**Executives**	**Non-executives**
Probability of death	Mortality tables RG48 published by Ragioneria Generale dello Stato	Mortality tables RG48 published by Ragioneria Generale dello Stato
Probability of disability	INPS tables divided by age and sex	INPS tables divided by age and sex
Probability of resignation:		
up to 40 years of age	2.00%	1.00%
from 41 to 50 years of age	2.00%	0.50%
from 51 to 59 years of age	1.00%	0.50%
from 60 to 64 years of age	None	0.50%
aged 65 and over	None	None
Probability of retirement	100% on achievement of the AGO requirements aligned with D.L. 4/2019	
Probability of receiving at the beginning of the year an advance from the provision for severance indemnities accrued equal to 70%	1.5% per annum	1.5% per annum

The application of the above assumptions resulted in a liability for employee severance indemnities of 553 million euros at December 31, 2022 (678 million euros at December 31, 2021).

Reported below is a sensitivity analysis for each significant actuarial assumption adopted to calculate the liability as at year end, showing how the liability would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, stated in amounts.

The weighted average duration of the obligation of the Parent amounted to 7.9 years.

CHANGES IN ASSUMPTIONS	Amounts (million euros)
Turnover rate:	
+0.25 p.p.	(1)
- 0.25 p.p.	1
Annual inflation rate:	
+0.25 p.p.	(15)
- 0.25 p.p.	15
Annual discount rate:	
+0.25 p.p.	19
- 0.25 p.p.	(21)

The **Provision for pension and other plans** amounted to 16 million euros at December 31, 2022 (21 million euros at December 31, 2021) and mainly represented pension plans in place at foreign companies of the Group.

The provisions for termination benefit incentives and corporate restructuring increased in 2022 by 223 million euros and are 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 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.

NOTE 22
PROVISIONS

These decreased by 234 million euros compared to December 31, 2021. The breakdown is as follows:

(million euros)	12/31/2021	Increase	Taken to income	Used directly	Exchange differences and other changes	12/31/2022
Provision for taxation and tax risks	**73**	8	(1)	(5)	14	**89**
Provision for restoration costs	**281**	21	—	(11)	43	**334**
Provision for legal disputes	**441**	75	—	(71)	(1)	**444**
Provision for commercial risks	**677**	94	(15)	(412)	18	**362**
Provision for risks and charges on investments and corporate-related transactions	**12**	—	—	(1)	—	**11**
Other provisions	**4**	11	—	(1)	—	**14**
Total	**1,488**	**209**	**(16)**	**(501)**	**74**	**1,254**
of which:						
non-current portion	**926**					**910**
current portion	**562**					**344**

The non-current portion of provisions for risks and charges mainly relates to some of the provision for commercial risks, the provision for legal disputes and the provision for restoration costs. More specifically, in accordance with accounting policies, the total amount of the provision for restoration costs is calculated by re-measuring the amounts for which a probable outlay is envisaged, based on the estimated inflation rates for the individual due dates, and subsequently discounted to the reporting date based on the average cost of debt, taking into account expected cash outflows.

The **provision for taxation and tax risks** increased by 16 million euros compared to December 31, 2021.

The **provision for restoration costs** refers to the provision for the costs expected to be incurred for the restoration of leased properties and sites used in the mobile sector and for the dismantling of certain assets (particularly batteries and wooden piling); it mainly refers to the Parent TIM S.p.A (150 million euros), the company FiberCop (131 million euros) and the Brazil Business Unit (52 million euros).

The **provision for legal disputes** included the provision for litigation with other counterparties and employees. The amount at December 31, 2022 included 329 million euros for the Domestic Business Unit and 115 million euros for the Brazil Business Unit.

The **provision for commercial risks** relates to the Domestic Business Unit and mainly the Parent Company TIM S.p.A.. During 2022, it reduced by 315 million euros mainly in view of:

- a use for 346 million euros of the Provision for contractual risks on onerous contracts (IAS 37) recorded in the 2021 financial statements relating to ongoing relations with some counterparties for the offer of

multimedia content and representative of the net present value of the negative margin connected with these partnerships;

- 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.

The **provision for risks and charges on investments and corporate-related transactions** reduced by 1 million euros on the previous year.

Other provisions for risks and charges come to 14 million euros and are essentially attributable to the Domestic Business Unit.

NOTE 23
MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

These decreased by 267 million euros compared to December 31, 2021. The figure breaks down as follows:

(million euros)		12/31/2022	12/31/2021
Miscellaneous payables (non-current)			
Payables to social security agencies		400	452
Income tax payables (*)		—	231
Other payables		58	7
	(a)	**458**	**690**
Other non-current liabilities			
Deferred revenues from customer contracts (Contract liabilities)		87	88
Other deferred revenue and income		354	368
Capital grants		247	267
	(b)	**688**	**723**
Total	**(a+b)**	**1,146**	**1,413**

(*) Analyzed in the Note "Income tax expense".

Miscellaneous payables (non-current) include:

- **payables to social security agencies** amounting to 400 million euros, mainly relating to the non-current debt position with INPS for the application of the agreements signed with the trade unions relating to the application of Article 4 of Law no. 92 of June 28, 2012 and former Art. 41, subsection 5bis of Italian Legislative Decree no. 148/2015 (for further details see the Note “Employee benefits expenses”). This debt position (non-current and current portion) is as follows:

(million euros)	12/31/2022	12/31/2021
Non-current payables		
Due from 2 to 5 years after the end of the reporting period	385	443
Due beyond 5 years after the end of the reporting period	15	9
	400	**452**
Current payables	**244**	**258**
Total	**644**	**710**

- **other payables** equal to 58 million euros at December 31, 2021 referring mainly to the Brazil Business Unit.

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

- **Deferred revenues from contracts with customers (contract liabilities)** of 87 million euros (88 million euros at December 31, 2021) which are reversed to the income statement according to the duration of the contractual obligations between the parties, averaging 24 months; therefore, the balance as at December 31, 2022 will be reversed to the income statement generally by 2024. In particular, the item includes:
  - TIM S.p.A. deferred revenues for subscription charges and rent and maintenance payments (41 million euros);
  - TIM S.p.A. deferred revenues for network access subscription charges (21 million euros);
  - Deferred revenues of TIM S.p.A. for outsourcing charges (17 million euros);
  - Deferred revenues for activation and installation fees charged on new TIM S.p.A. customer contracts (3 million euros): in this regard, it is noted that under IFRS 15 activation/installment revenues are allocated to other contract obligations and recognized throughout the period of performance of the contract, as they do not relate to separate performance obligations.

- **Other deferred revenue and income** totaling 354 million euros; the item consisted of the non-current portion (approx. 113 million euros) of the deferred gain on the sale and lease-back of telecommunication towers by the Brazil Business Unit; this item also includes deferred revenues related to agreements for the sale of the transmission capacity.
- **Capital grants** of 247 million euros: the item represents the component still to be released to the income statement based on the remaining useful life (estimated at around 18 years) of the assets that the grants refer to and is mainly connected to the realization of the infrastructures on the Ultrabroadband-UBB and Broadband-BB projects.

NOTE 24

TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

This item fell by 1,274 million euros compared to December 31, 2021. The figure breaks down as follows:

(million euros)		12/31/2022	*of which Financial Instruments*	12/31/2021	*of which Financial Instruments*
Trade payables					
Payables due to suppliers		4,943	*4,943*	4,745	*4,745*
Payables to other telecommunications operators		352	*352*	416	*416*
	(a)	**5,295**	***5,295***	**5,161**	***5,161***
Tax payables	**(b)**	**216**		**168**	
Miscellaneous payables					
Payables for employee compensation		247		176	
Payables to social security agencies		353		386	
Payables for TLC operating fee		324		165	
Dividends approved, but not yet paid to shareholders		48	*48*	36	*36*
Other		329	*241*	1,968	*1,859*
Employee benefits (except for employee severance indemnities) for the current portion expected to be settled within 12 months		108		—	
Provisions for risks and charges for the current portion expected to be settled within 12 months		344		562	
	(c)	**1,753**	***289***	**3,293**	***1,895***
Other current liabilities					
Liabilities from customer contracts (Contract liabilities)		840	*133*	757	*110*
Other deferred revenue and income		59		66	
Other		36		28	
	(d)	**935**	***133***	**851**	***110***
Total	**(a+b+c+d)**	**8,199**	**5,717**	**9,473**	***7,166***

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Trade payables amounting to 5,295 million euros (5,161 million euros at December 31, 2021), mainly refer to:

- TIM S.p.A. (3,745 million euros); the increase on December 31, 2021 reflects the dynamics of payments relating to bills payable;
- Brazil Business Unit (901 million euros); the decrease on December 31, 2021 is connected with the partial payment of payables connected with the November 2021 purchase of 5G licenses.

At December 31, 2022, trade payables due beyond 12 months totaled 59 million euros (73 million euros at December 31, 2021) and are mainly represented by payables of the Brazil Business Unit for the purchase and renewal of telecommunications licenses, also including the payable due to Entidade Administradora da Conectividade de Escolas (EACE) for the development of certain infrastructural projects in Brazil in connection with the assignment of the rights of use of frequencies for 5G services.

Tax payables amounted to 216 million euros and mainly consisted of both the tax payables of the Brazil Business Unit (102 million euros) and the payables of TIM S.p.A., mainly relating to the amount owed to the tax

authorities for tax payables withheld as withholding agent (68 million euros), the VAT payable (25 million euros) and the amount payable for the government concession tax (4 million euros).

Miscellaneous payables include:

- the current debt position towards INPS in view of the application of the agreements signed with the trade unions regarding the application of Art. 4 of Italian Law no. 92 of June 28, 2012 and former Art. 41, subsection 5bis, Italian Legislative Decree no. 148/2015;
- the debt position of the Brazil Business Unit connected with the contractual obligations linked to the acquisition of the mobile assets of the Oi Group (134 million euros). Further details are provided in the Note "Disputes and pending legal actions, other information, commitments and guarantees".

Also note that on September 30, 2022, TIM S.p.A. paid the fifth and final installment, of 1,738 million euros, out of the total of 2,399 million euros due in fulfillment of the undertakings made by the Company following the award of the rights to use mobile frequency bandwidths pursuant to the "5G Auction" held in 2018 by the Ministry for Economic Development.

Other current liabilities amounted to 935 million euros at December 31, 2022 (851 million euros at December 31, 2021). They break down as follows:

- **Liabilities from customer contracts (Contract liabilities)**, totaling 840 million euros. This item includes liabilities to customers related to the obligations of Group companies to transfer goods and services for which have received a price. Liabilities with customers, generally with a maturity of up to 12 months, are shown below; therefore, the figure at December 31, 2022 will be substantially reversed by December 31, 2023.

  In particular:

  - **contract liabilities** amounting to 9 million euros; the item includes bundle contracts (good and services packages) with performance obligations with different timing for the recognition of revenues and consequent deferral of the fees originally recognized. The decrease recognized in the year 2022 (-2 million euros) was mainly linked to the presence of commercial offers that no longer require a fixed duration and the reversal to the income statement of the balance previously accumulated;
  - **customer-related items**, equal to 430 million euros; the item includes trade payables following contractual relationships, such as the payable for prepaid traffic and the subscription fees charged in advance;
  - **progress payments and advances** equal to 56 million euros relating to trade payables following prepayments, such as deposits made by subscribers for telephone calls;
  - **deferred revenues from customer contracts**, equal to 345 million euros essentially include:
    - Parent Company deferred revenues for rent and maintenance fees (193 million euros);
    - Parent Company deferred revenues for interconnection fees (111 million euros);
    - Parent Company deferred revenues on activation and installation of new contracts with customers (4 million euros).
- **Other deferred revenue and income** amounted to 59 million euros. These refer mainly to deferred revenues deriving from contracts for the sale of transmission capacity.
- **Other** , amounting to 36 million euros. They mainly refer to the Parent Company and relate to payables for advances on work in progress on networks.

NOTE 25

DISPUTES AND PENDING LEGAL ACTIONS, OTHER INFORMATION, COMMITMENTS AND GUARANTEES

A description is provided below of the most significant judicial, arbitration and tax disputes in which TIM Group companies are involved at December 31, 2022, as well as those that came to an end during the period.
The TIM Group has posted liabilities totaling 279 million euros for those disputes described below where the risk of losing the case has been considered probable.
It should be noted that for some disputes described below, on the basis of the information available at the closing date of the Annual Financial Report and with particular reference to the complexity of the proceedings, to their progress, and to elements of uncertainty of a technical-trial nature, it was not possible to make a reliable estimate of the size and/or times of possible payments, if any. Moreover, in those cases in which disclosure of information on a dispute could seriously jeopardize the position of TIM or its subsidiaries, only the general nature of the dispute is described.
Lastly, as regards the proceedings with the Antitrust Authority, please note that based on Article 15, subsection 1 of Italian Law 287/1990 ("Antitrust regulations"), the Authority has the right to impose an administrative sanction calculated on the turnover of the Group in cases of breaches considered serious.

a) Significant disputes and pending legal actions

International tax and regulatory disputes

At December 31, 2022, companies belonging to the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 18.2 billion reais (16.3 billion reais at December 31, 2021), corresponding to approximately 3.3 billion euros at the end of 2022. The main types of litigation are listed below, classified according to the tax to which they refer.

Federal taxes

In relation to the federal level of taxation, the following disputes should be noted:

- disallowance of the tax effects of the merger between the companies of the TIM Brasil Group;
- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself;
- challenges regarding offsetting against previous tax losses;
- further challenges regarding the tax deductibility of the amortization of goodwill;
- imposition of income tax on certain types of exchange rate differences;
- imposition of withholding taxes on certain types of payments to foreign entities (for example, payments for international roaming);
- further challenges regarding offsets made between taxes payable and group company credit positions.

Overall, the risk for these cases, considered to be possible, amounts to 3.3 billion reais (3.1 billion reais at December 31, 2021).

State taxes

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

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

Overall, the risk for these cases, considered to be possible, amounts to 9.6 billion reais (8.8 billion reais at December 31, 2021).

Municipal taxes

Among disputes classified with a "possible" degree of risk, there are some relating to municipal taxes for a total amounting to around 1.6 billion reais (around 1.2 billion reais at December 31, 2021).

FUST and FUNTTEL

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

Overall, the risk for these cases, considered to be possible, amounts to 3.7 billion reais (3.2 billion reais at December 31, 2021).

Golden Power Case

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

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

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

It should also be noted that in May 2018 a guarantee bond for 74.3 million euros was issued in favor of the Presidency of the Council. TIM had been requested to submit such a bond for its application to Lazio TAR for precautionary suspension of the collection of the fine imposed for alleged breach of Art. 2 of Decree Law 21 of March 15, 2012 (the “Golden Power” law). This surety was renewed in November 2022.

Furthermore, TIM appealed before the Lazio TAR and then appealed before the Council of State against the provision with which Consob, on September 13, 2017, affirmed Vivendi's control over TIM. In December 2020, the Council of State issued a final judgment upholding TIM’s appeal and canceling the provision by Consob, a significant premise to the entire subsequent proceedings of the Presidency of the Council in relation to the obligation to Golden Power notification as described above. On June 14, 2021, Consob submitted an extraordinary appeal to the Court of Cassation on grounds of jurisdiction; TIM filed an appearance, objecting that the appeal is unlawful and inadmissible. Following the hearing in chambers held on October 11, 2022, on January 24, 2023, the order was published whereby the Court of Cassation declared that Consob’s petition was unacceptable, consequently ordering it to pay the dispute expenses.

Antitrust Case A428

At the conclusion of case A428, in May 2013, AGCM (the Italian Competition Authority)imposed two administrative fines of 88,182,000 euros and 15,612,000 euros on TIM for abuse of its dominant position. The Company allegedly (i) hindered or delayed activation of access services requested by OLOs through unjustified and spurious refusals; (ii) offered its access services to final customers at economic and technical conditions that allegedly could not be matched by competitors purchasing wholesale access services from TIM itself, only in those geographic areas of the Country where disaggregated access services to the local network are available, and hence where other operators can compete more effectively with the Company.

TIM appealed against the decision before the Regional Administrative Court (TAR) for Lazio, applying for payment of the fine to be suspended. In particular, it alleged: infringement of its rights to defend itself in the proceedings, the circumstance that the organizational choices challenged by AGCM (the Italian Competition Authority) and allegedly at the base of the abuse of the OLO provisioning processes had been the subject of specific rulings made by the industry regulator (AGCom), the circumstance that the comparative examination of the internal/external provisioning processes had in fact shown better results for the OLOs than for the TIM retail department (hence the lack of any form of inequality of treatment and/or opportunistic behavior by TIM), and (regarding the second abuse) the fact that the conduct was structurally unsuitable to reduce the margins of the OLOs.

In May 2014, the judgment of the Lazio TAR was published, rejecting TIM's appeal and confirming the fines imposed in the original order challenged. In September 2014 the Company appealed against this decision.

In May 2015, with the judgment no. 2497/15, the Council of State found the decision of the court of first instance did not present the deficiencies alleged by TIM and confirmed the AGCM (the Italian Competition Authority) ruling. The company had already proceeded to pay the fines and the accrued interest.

In a decision notified in July 2015, AGCM (the Italian Competition Authority) started proceedings for non-compliance against TIM, to ascertain if the Company had respected the notice to comply requiring it to refrain from undertaking behaviors analogous to those that were the object of the breach ascertained with the concluding decision in case A428 dated May 2013.

On January 13, 2017, TIM was served notice of AGCM’s final assessment, which recognized that TIM had complied in full with the A428 decision and, as such, the conditions for the imposition of a fine for non-compliance were not present.

AGCM (the Italian Competition Authority) recognizes, furthermore, that TIM's behavior subsequently to the 2013 proceedings has been directed towards continuous improvement of its performance in the supply of wholesale access services concerning not only the services which were the subject of the investigation, but also the new Ultrabroadband access services. In assessing compliance, AGCM (the Italian Competition Authority) recognized the positive impact of the implementation, albeit not yet completed, of TIM's New Equivalence Model (NME). The AGCM (the Italian Competition Authority) decision orders TIM to: (i) proceed with the implementation of the NME until its completion which is expected to be by April 30, 2017; (ii) inform the Authority about the performance levels of the systems for providing wholesale access services and about the completion of the corresponding internal reorganization plan by the end of May 2017. The Company quickly complied with both orders, and the Authority communicated its satisfaction on August 9, 2017.

Vodafone lodged an appeal with the Lazio Regional Administrative Court against the final decision in the proceedings for non-compliance taken by AGCM (the Italian Competition Authority). TIM filed an appearance, as in the other lawsuits filed in March 2017 by the operators CloudItalia, KPNQWest Italia and Digitel. With judgments 311 and 312/23 respectively of January 11, 2023, the regional administrative court rejected the appeals lodged by KPNQWest and CloudItalia.

Colt Technology Services - A428

With writ of summons before the Milan Court served in August 2015, the operator Colt Technology Services filed a damages claim based on the A428 decision, requesting compensation for alleged damages suffered from 2009 to 2011 as a result of purportedly inefficient and discriminatory conduct by TIM in the wholesale service supply process. The damage claimed was quantified as 27 million euros in loss of profits for the alleged non-acquisition of new customers, or for the alleged impossibility of supplying new services to the customers it had already acquired; the other party also formulated a request for compensation for the damages to its image and commercial reputation. This case follows the extrajudicial claim for approximately 23 million euros, previously advanced by Colt in June 2015, which the Company rejected in its entirety. TIM filed an appearance, contesting all of the plaintiff's allegations. The case is currently reserved for decision.

COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.) - A428

With writ of summons before the Rome Court, COMM 3000 S.p.A.(formerly KPNQWest Italia S.p.A.) filed a damages claim for a total of 37 million euros in compensation for alleged anticompetitive and abusive conduct over the period 2009–2011, in the form of technical boycotting (refusals to activate wholesale services – KOs); the claim was based on the contents of the decision of AGCM (the Italian Competition Authority) that settled the A428 case. TIM filed an appearance, contesting all of the plaintiff's allegations. In the judgment with ruling in April 2019, the Court of Rome partially received the petitions of COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.), sentencing TIM to pay an amount significantly lower than the amount in the counterparty's damages claim. In June 2019, TIM appealed against the judgment. In the judgment given in April 2021, the Court of Appeal of Rome partly upheld TIM's appeal, reducing the amount of the compensation due to COMM 3000, which was in any case entirely covered by the relevant provision. In November 2021, TIM has appealed to the Court of Cassation over the judgment of the Court of Appeal of Rome in. The company is awaiting scheduling of the hearing for discussion.

Teleunit

With a writ of summons issued in October 2009 before the Milan Appeal Court, Teleunit asked that TIM alleged acts of abuse of its dominant position in the premium services market be ascertained. The plaintiff quantified its damages at a total of approximately 362 million euros. TIM filed an appearance, contesting the claims of the other party.

After the ruling of January 2014 with which the Court of Appeal declared that it was not competent in this matter and referred the case to the Court, Teleunit reinstated the case before the Milan Court the following April. TIM filed an appearance in the reinstated proceedings challenging the plaintiff's claims.

In its judgment of May 2017, the Milan Court rejected Teleunit's claim in its entirety, and ordered the company to pay the legal costs of the case. This judgment was appealed by Teleunit, in June 2017, before the Milan Court of Appeal. TIM filed an appeal challenging the arguments presented by the other party and asking that the judgment in the first instance be fully confirmed. With an order in March 2018 the Milan Court of Appeal declared Teleunit's appeal pursuant to art. 348-bis of the Italian Code of Civil Procedure to be manifestly without foundation, and hence inadmissible. In May 2018 Teleunit appealed the judgment of the Court of Appeal to the Court of Cassation. TIM lodged a counter-appeal seeking confirmation in full of the order being appealed (and thus of the judgment at first instance). The hearing was held in chambers on September 22, 2022. By order published on October 19, 2022, the Court of Cassation declared the petition lodged by Teleunit Ltd inadmissible, ordering it to pay the costs of the dispute to TIM.

Eutelia and Clouditalia Telecomunicazioni - A428

With a writ of summons dated May 2020, Eutelia in Extraordinary Administration and Clouditalia Telecomunicazioni S.p.A., purchaser of Eutelia's TLC branch, brought an action against TIM before the Court of Rome, making claims for damages, of around 40 million euros, for damages allegedly suffered, in the period 2009-2012, following the technical boycott and margin squeeze conduct, subject of the AGCM A428 procedure. TIM filed an appearance, contesting the claims made by the opposing party and formulating a counterclaim, subject to quantification of the damages incurred during the proceedings. On April 1, 2022, AGCM (the Italian Competition Authority) deposited the opinion envisaged by Art. 14, third subsection of Italian Legislative Decree 3/2017, whereby it: (i) proposed certain benchmarks for use to define the counterfactual scenario on which basis to quantify the damages allegedly suffered by Eutelia and Clouditalia; (ii) provided some additional indication and criteria to estimate the various damage items demanded by Eutelia and Clouditalia. At the hearing held on June 15, 2022, the Investigating Judge assigned time to the parties until July 8, 2022, by which to deposit written notes on the implications of the opinion of the AGCM (the Italian Competition Authority) and the contents of any queries to be raised with the court appointed expert. On October 24, the judge lifted the reservation and ordered an expert report on the *an* of TIM's conduct and the *quantum* of any damages suffered by Eutelia and Irideos as a result of such. On November 15, 2022, the court-appointed expert witness was sworn in. The public hearing for the examination of the court-appointed expert witness has been scheduled for October 18, 2023.

Antitrust Case A514

In June 2017 AGCM (the Italian Competition Authority) started proceedings A514 against TIM, to ascertain a possible abuse of its dominant market position in breach of article 102 of the "Treaty on the Functioning of the European Union". The proceedings were started based on some complaints filed in May and June 2017, by Infratel, Enel, Open Fiber, Vodafone and Wind Tre, and concerns a presumed abuse of TIM's dominant position in the market for wholesale access services and for retail services using the Broadband and Ultrabroadband fixed network. In particular, the AGCM (the Italian Competition Authority) hypothesized that TIM had adopted conduct aimed at: i) slowing and hindering the course of the Infratel tender processes so as to delay, or render less remunerative the entry of another operator in the wholesale market; ii) pre-emptively securing customers on the retail market for Ultrabroadband services by means of commercial policies designed to restrict the space of customer contendibility remaining for the competitor operators.

After the start of the proceedings, the Authority's officials carried out an inspection at some of TIM's offices in the month of July 2017. On November 2, 2017, TIM filed a defense brief in which, in support of the correctness

of its actions, it challenged all the arguments that the conduct it had allegedly engaged in, and which was the subject of the case, was unlawful.

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

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

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

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

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

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

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

On March 6, 2020, TIM was notified of the decision to close the investigation: AGCM (the Italian Competition Authority) ruled that TIM had abused its dominant position, finding that TIM had put in place an anti-competitive strategy designed to hinder the competitive development of investment in Ultrabroadband network infrastructure. The fine imposed on TIM for the anti-competitive offense is 116,099,937.60 euros.

On June 25, 2020 TIM sent AGCM (the Italian Competition Authority) the so-called compliance report as ordered in the final provision.

In May 2021, the Company in any case paid the fine.

TIM appealed the aforementioned fine before the Lazio Regional Administrative Court (TAR). By judgment 1963/2022 of February 28, 2022, TIM's appeal was rejected; TIM has appealed to the Council of State against the decision of the regional administrative court.

In August 2022, Irideos notified a deed of intervention *ad opponendum* with respect to TIM's principal appeal.

The related hearing for oral discussion is scheduled for May 25, 2023.

Open Fiber

In March 2020, Open Fiber (OF) sued TIM before the Court of Milan, claiming damages of 1.5 billion euros for alleged abuse of an exclusive and dominant position in relation to OF. The alleged actions consist of: (i) pre-emptive investments in FTTC networks in white areas; (ii) initiating specious legal action to obstruct Infratel tenders; (iii) spurious repricing of certain wholesale services; (iv) commercial lock-in offers on the retail market; (v) false disclosure to AGCom in connection with the approval of a wholesale offer and spreading rumors about TIM being interested in acquiring OF; (vi) discriminatory access conditions to TIM passive infrastructure. TIM filed an appearance, contesting the arguments of OF. Enel S.p.A. intervened in the proceedings, asking that TIM be ordered to compensate all damages suffered and being suffered by Enel and OF, without, however, quantifying such. During the course of proceedings, Open Fiber redetermined the damage allegedly suffered, taking it to 2.6 billion euros plus interest and monetary revaluation. Open Fiber has also clarified that it believes such damages are still to be suffered. Enel then quantified the damages allegedly suffered as approximately 228 million euros, plus interest. On October 19, 2022, the hearing was held for admission of the evidence, after which the judge reserved the right to deliberate.

Irideos

In January 2022, Irideos summonsed TIM to the Court of Rome, making a claim for damages allegedly suffered as a consequence of the unlawful conduct of TIM, as sanctioned by AGCM (the Italian Competition Authority), with the provision that concluded proc. A514 ("follow-on claim"). The compensation claim comes to 23,204,079.87 euros for damages caused by the anti-competitive behavior of TIM from 2017 to 2019 (with effects also in subsequent years) on the market for services of wholesale access to the Broadband and Ultrabroadband fixed network (the "wholesale market") and on the market for retail telecommunications services on the Broadband and Ultrabroadband fixed network (the "retail market"). TIM filed an appearance, contesting the opposing party's arguments. At the hearing held on June 1, 2022, the investigating judge (i) assigned the parties time for depositing the briefs with terms running from February 15, 2023 and (ii) deferred the case to the hearing of June 7, 2023.

Antitrust Case I799

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

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

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

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

Open Fiber S.p.A. also asked for the precautionary suspension of the order. In a ruling of March 2020, the Regional Administrative Court rejected in full the appeal by Open Fiber.

The hearing for discussion of the merits of Wind Tre's appeal was held on October 12, 2022 and the Regional Administrative Court published the judge's extinguishing order on October 23. The judgment has therefore been settled.

Eutelia and Voiceplus

In June 2009, Eutelia and Voiceplus asked that alleged acts of abuse by TIM of its dominant position in the premium services market (based on the public offer of services provided through so-called Non Geographic Numbers) be investigated. The complainants quantified their damages at a total of approximately 730 million euros.

The case follows a precautionary procedure in which the Milan Appeal Court prohibited certain behaviors of the Company relating to the management of some financial relations with Eutelia and Voiceplus concerning the Non Geographic Numbers, for which TIM managed the payments from the end customers, on behalf of such OLOs and in the light of regulatory requirements. After the ruling with which the Milan Court of Appeal accepted TIM's objections, declaring that it was not competent in this matter and referring the case to the Civil Court, Eutelia in extraordinary administration and Voiceplus in liquidation resubmitted the matter to the Milan Court. The first hearing took place in the month of March 2014. TIM filed an appearance challenging the claims of the other parties. After the collapse of Voiceplus, the Milan Court declared the case suspended, in an order in September 2015. The case was later resumed by Voiceplus.

With a judgment issued in February 2018, the Milan Court accepted TIM's defense and rejected the plaintiffs' claim for compensation, ordering them, jointly and severally, to pay the legal costs. In March 2018 Eutelia and Voiceplus proposed an appeal against the judgment in the first instance.

TIM appealed against the claim, requesting confirmation in full of the judgment in the first instance. The appeal of Eutelia and Voiceplus was fully rejected with the judgment of August 5, 2019. In December 2019 Eutelia and Voiceplus appealed to the Court of Cassation over the judgment of the Court of Appeal. TIM notified a counterclaim asking confirmation of the ruling appealed against. The hearing in chambers is scheduled for February 16, 2023.

28 day billing

AGCom resolution 121/17/CONS introduced instructions on billing intervals for telephony, prescribing, for fixed telephony, that the interval should be monthly, or multiples thereof, and, for mobile telephony, that it should be at least four-weekly. TIM appealed Resolution 121/17/CONS to the Regional Administrative Court. The judgment rejecting the appeal was published in February 2018. TIM appealed this judgment to the Council of State in June 2018. On September 23, 2020, the non-definitive ruling was published whereby the Council of State joined the appeals submitted by TIM, Vodafone, Fastweb and Wind Tre and ordered the prejudicial deferral to the European Union Court of Justice (EUCJ) on whether or not the Authority had the power to regulate the frequency of renewal of the commercial offers and invoicing periods, at the same time rejecting the other grounds of appeal submitted by the operators and suspending proceedings. In February 2021, TIM deposited the written observations on the requests for prejudicial judgment with the EUCJ. On the request of the EUCJ, the Council of State, by order published on November 23, 2021, confirmed the referral to the Court of Justice on the prejudicial matters raised; on December 15, 2022, the conclusions were submitted of the general attorney and we are now awaiting the decision of the EUCJ; the case before the Council of State is therefore currently on hold.

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

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

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

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

With the judgment published in November 2018, the Regional Administrative Court (TAR) canceled the pecuniary administrative sanction of 1.16 million euros imposed with Resolution 499/17/CONS, and confirmed the obligation of *restitutio in integrum* to the fixed-line customers by December 31, 2018, the grounds for the judgment were instead published on May 10, 2019. The Council of State has deferred discussion of the case to November 10, 2023, awaiting the decision of the EU Court on the Community compatibility of the power exercised by AGCom to impose a billing period of no less than a month.

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

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

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

In the civil proceedings, by judgment published on October 14, 2021 the Court of Milan, under the scope of the case on the merits brought by Associazione Movimento dei Consumatori in 2018 regarding the pricing and 28-day renewal for fixed line and converging offers, confirmed the order given on June 4, 2018 by the same Court upon closure of the complaint brought by TIM pursuant to Art. 669 terdecies of the Italian Code of Civil Procedure and the measures set out therein, ordering TIM to fulfill the requests for repayment of prices paid as a result of customer maneuvers - including discontinued, as indeed TIM had already been doing since 2018, at the same time also extending the period relevant to the recognition of the reimbursement through to April 1, 2017 and therefore earlier than June 23, 2017, the date on which the operators will need to comply with Resolution no. 121/17/CONS. TIM has appealed the judgment of the Court of Milan, at the same time filing a request for suspension of its enforcement. With order of January 11, 2022, the Court of Appeal of Milan partially accepted TIM's request, suspending the charge in the judgment relating to the order to send a registered letter to all discontinued customers that were subject to billing every 28 days to inform them of the possibility to obtain a refund of the additional amounts paid as a result of the maneuver. By judgment published on December 9, 2022, the Milan Court of Appeal confirmed the first instance judgment in full. On January 12, 2023, TIM notified the appeal to the Court of Cassation and on January 16, 2023 it also filed the appeal pursuant to Art. 373 of the Italian Code of Civil Procedure with the Milan Court of Appeal, asking that enforcement of the ruling be suspended until the judgment pending before the Court of Cassation had been settled.

By order of February 14, 2023, the Milan Court of Appeal, in partially upholding TIM's appeal, ordered suspension of the judgment in connection with the order to send the recorded delivery letters to former customers, whilst awaiting the decision of the Supreme Court.

Antitrust Case I820

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

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

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

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

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

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

On September 11, 2021, AGCM (the Italian Competition Authority) presented a petition to the Council of State, requesting the cancellation of the judgment given by the regional administrative court; following the hearing for discussion held on January 26, 2023, we are currently awaiting decision.

Antitrust Case I850

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

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

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

On September 7, 2021, AGCM (the Italian Competition Authority) judged these commitments to not be clearly unfounded and ruled publication on the Authority's website from September 13, 2021; thus market testing began and was completed by October 13, 2021, the date by which all subjects so wishing submitted their observations to AGCM in respect of the relevant commitments.

On December 14, 2021 AGCM (the Italian Competition Authority) extended the deadline for the conclusion of the proceedings, initially set for December 31, 2021, to February 15, 2022.

Precisely during the meeting held on February 15, 2022, AGCM (the Italian Competition Authority) finally resolved to approve the commitments insofar as they were considered suitable to eliminate the alleged anti-competition aspects investigated.

As envisaged by the final ruling, on April 22, 2022, TIM sent AGCM a first report on the measures taken to fulfill the commitments made.

On May 11, 2022, AGCM notified TIM of its acknowledgment of the measures presented in such report.

On January 31, 2023 TIM sent AGCM (the Italian Competition Authority) a second report on the implementation of the undertakings given.

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

Upon completion of the interim hearing of last June 1, the regional administrative court rejected the request and scheduled the merits hearing for January 25, 2023. At the January 26 hearing, after extensive discussion, the judge reserved the right to deliberate.

Antitrust Case I857

On July 6, 2021, AGCM (the Italian Competition Authority) started an investigation in regard to TIM and DAZN for a possible understanding reached with a view to restricting competition in connection with the agreement for the distribution and technological support for TV rights for Serie A football in the 2021-2024 period.

The investigation also aims to verify the restrictive nature of the understanding with reference to additional elements regarding the possible adoption by TIM of technical solutions not available for competitor telecommunications operators and which may effectively hinder the adoption of their own technological solutions.

At the same time, the Authority has also initiated proceedings for the potential adoption of protective measures.

By resolution passed on July 27, 2021, AGCM (the Italian Competition Authority) closed the interim proceedings, considering that the initiatives and amendments to the agreement proposed by TIM and DAZN in the meantime are presently able to prevent any serious and irreparable damage to competitors while investigations are completed.

Indeed, said measures aim, as a whole, to avoid possible discrimination in the use of the DAZN service, due to its activation by users using Internet connection services other than those offered by TIM. In addition, the agreement between TIM and DAZN has been amended to guarantee DAZN complete freedom in applying discounts and promotions. TIM has also undertaken to provide DAZN with a sufficient number of white label set-top-boxes to also guarantee DAZN customers the viewing of matches over digital terrestrial TV, in the event of connection problems.

Finally, TIM has undertaken to supply wholesale services to OAOs interested therein to manage traffic peaks deriving from live data transmissions, regardless of the type of content transmitted.

On October 29, 2021 TIM submitted a proposal for undertakings to AGCM (the Italian Competition Authority) with a view to resolving the competitive concerns that were the subject of the investigation and closing the proceedings without the finding of any infringement and therefore without any sanction being applied.

On December 14, 2021, AGCM (the Italian Competition Authority) approved the publication of the aforementioned proposal for undertakings on the Authority's website, as these undertakings, taken as a whole, do not appear to be manifestly unfounded and are capable of removing the restrictions to competition hypothesized in the measure initiating the investigation in question.

On January 5, 2022, with the publication on the AGCM website, market testing began.

The deadline for rebuttal arguments and proposing any accessory amendments to the commitments presented by TIM and DAZN is scheduled for March 7.

On February 23, 2022, TIM and DAZN were convened separately to the AGCM offices. During the hearing, the Offices informed TIM - and thereafter confirmed this in the hearing meetings - that in a hearing held on February 15, the Board deemed it necessary to make certain "accessory" changes in order to approve the commitments submitted.

On March 4, 2022, TIM and DAZN requested an extension of the deadline for the submission of observations, also in view of the new aspects that had emerged on February 23. The new deadline was set as March 23.

On March 22, 2022, TIM informed the Authority that the additional changes considered necessary by the Board to approve the commitments would have entailed a complete overhaul of the contents and economic balance of the agreements signed by TIM and DAZN, such as to make it no longer possible to pursue the hypothesized business model. At the same time, TIM informed the Authority of the start of negotiations with DAZN possibly concerning the revision of the distribution exclusivity clause, which was the main object of the Authority's investigation. Considering the complexity of negotiations, TIM requested an extension of another 30 days for submission of observations. The extension was authorized and the new deadline set as April 23.

On April 20, 2022, in consideration of the extension of negotiations, also due to the complexity and economic relevance of that being negotiated, DAZN and TIM requested an additional extension. The new deadline was set as May 9.

On May 9, 2022, TIM informed the Authority that it had declared willing to DAZN to waive the exclusivity of the distribution of Serie A football rights, as currently regulated by the Deal Memo, with DAZN consequently having the faculty to distribute such rights also through third party operators and that, in exchange for the willingness to waive this right, the Parties had begun negotiations for a review of the contracted economic commitment envisaged by TIM.

On June 7, 2022, the Authority ruled on the rejection of the commitments submitted, which "would appear, both where considered comprehensively and individually, to be unable to eliminate the anticompetitive aspects identified in the resolution that started the proceedings, insofar as they do not resolve the competition concerns highlighted in the initial proceedings, where not translated into shared contractual amendments such as to eliminate the critical competition issues" highlighted by the Authority.

Again on June 7, 2022, the Authority ruled on the deferral of the deadline for the conclusion of proceedings to March 31, 2023.

On August 2, 2022, TIM informed the Antitrust Authority that it had reached a new agreement with DAZN, under which the latter has the faculty to distribute football rights through any third party, surpassing the previous system of exclusivity in TIM's favor.

On January 20, 2023, notification was given of the investigation results (CRI).

AGCM (the Italian Competition Authority) believes that the agreement reached on January 27, 2021 (the "Deal Memo") had contents and resulted in effects that reduced competition for its entire duration (and therefore until stipulation of the new agreement on August 3, 2022).

On January 31, 2023, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until May 31, 2023.

TIM will be able to submit its defense brief by March 28, while the final hearing before the authority has been scheduled for April 4, 2023.

Antitrust Case A556

On November 30, 2022, AGCM (the Italian Competition Authority) started proceedings against TIM in order to verify the existence of an abuse of a dominant position in breach of Art. 3 of Law no. 287/90.

The proceedings stem from a report made by Fastweb concerning TIM's refusal to grant Fastweb its radio mobile signal coverage maps that had been requested in order to take part in the "Open tender for mobile telephone services for public authorities - Edition 9 - Sigef ID 2452" (Consip TM9 tender).

The authority simultaneously also launched precautionary sub-proceedings in accordance with Article 14-bis of Law No. 287/1990, aiming to verifying the existence of precautionary measures aiming to protect competition.

On December 20, 2022, the authority resolved that there were no grounds on which to take precautionary measures, in accordance with Art. 14-bis of Law no. 287/90 and thus closed the precautionary sub-proceedings, rejecting Fastweb's appeal.

Completion of the main proceedings has instead been scheduled for the coming December 1, 2023.

Antitrust Case PS 10888 "TIM Passepartout"

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

Antitrust Case PS 12231 "TIM fixed offers" (Premium, Executive, Magnifica)

On December 22, 2021, AGCM (the Italian Competition Authority) started proceedings against TIM for unfair commercial practices reported by Iliad S.p.A. concerning the alleged failure to provide information on the consumption of the voice component of the Premium and Executive fixed offers and technical limits correlated

with the method being tried out of the Magnifica fixed offer. Although convinced that its conduct was correct, on February 23, 2022, TIM submitted undertakings, implemented since March 2022, that overcame the technical limits disputed for the Magnifica offer on trial, improved transparency of information on the consumption components of the Premium and Executive offers and defined a communication campaign focused on customers not acknowledging charges for consumption in the voice component, so as to assess whether or not conditions are met for refund. The Authority has rejected the commitments but considered that the measures implemented by TIM were able to cease the conduct disputed. On November 2, 2022, the authority resolved to conclude the proceedings, fining TIM 1 million euros.

Antitrust Case PS 12304 "Anomalous billing"

On April 28, 2022, AGCM (the Italian Competition Authority) initiated proceedings against TIM for unfair commercial practice, challenging alleged undue billing following a request to terminate the line, including cases of switch to another operator, with reference to fixed and mobile telephony. Although convinced of the diligence of its conduct, TIM has decided to implement a series of measures to make the procedures for terminating contract, and, therefore, the related billing, even more efficient and transparent. The completion of the proceedings was postponed until March 24, 2023. Similar proceedings have been brought by the authority against the main communication operators.

Antitrust Case PS 12384 "Additional giga"

On August 5, 2022, AGCM (the Italian Competition Authority) initiated proceedings against TIM for unfair commercial practice reported by various consumers, challenging the alleged incorrect application of art. 65 of Italian Legislative Decree no. 206 of September 6, 2005 for an alleged additional service (giga) present in the mobile maneuver offer with effect from September 1, 2022. At the same time as the tariff remodulation maneuver, TIM also gave the consumer the option of choosing to keep the pre-existing offer, also in compliance with the guidance given by the Council of State (Judgment no. 8024/2019). On March 3, 2023, the authority resolved to conclude the proceedings, fining TIM 2.1 million euros.

Universal Service

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

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

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

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

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009 and the allocation of contribution expenses. Vodafone has challenged this resolution before the Regional Administrative Court. The renewal proceedings concluded with resolution 18/21/CIR, which substantively confirmed the draft order. This same resolution has only been challenged before the regional administrative court by TIM for the years 1999 and 2000, while Vodafone, Wind and Fastweb have challenged the resolution for all years concerned with opposite grounds. By judgments published in February 2022, resolution 18/21/CIR was partially canceled; indeed, the regional administrative court has rejected the main complaint reporting the lack of power of renovation and upheld only the grounds hinged on the alleged unreasonable nature of the threshold envisaged by AGCOM for the analysis of iniquity second facie. Fastweb, Vodafone, Wind, AGCom and TIM have appealed to the Council of State against the judgment of the regional administrative court and the related hearings of the merits have been scheduled for April 4 and 27, 2023.

Dispute relating to "Adjustments on license fees" for the years 1994-1998

With regard to the judgments sought in previous years concerning the Ministry of Communications' request for payment of the balance of the amounts paid in concession charges for the years 1994-1998 (for a total of 113 million euros), the Lazio Regional Administrative Court (TAR) rejected the Company's appeal against the request for adjustment of the license fee for 1994 in the amount of approximately 11 million euros, 9 million euros of which against turnover not received due to bad debts. TIM lodged an appeal. On the outcome of proceedings, with the ruling of December 2019, the Council of State partially accepted TIM's position, establishing the principle, according to which, the receivables referring to 1994 not collected for reasons not attributable to the operator, could have been deducted from the tax base for calculating the concession fee. As the Ministry of Economic Development has not followed up on TIM's requests aimed at obtaining fulfillment

of the judgment, TIM has submitted a further petition to the Council of State for failure to execute the judgment, but with judgment given in April 2022, the request for compliance brought by TIM was rejected. TIM has appealed for revocation of this judgment to the Council of State; the hearing has been scheduled for March 23, 2023.

With two further judgments the Lazio Regional Administrative Court (TAR), reiterating the reasons expressed previously, also rejected the appeals in which the Company challenged the requests for payment of outstanding balances of license fees for the years 1995 and 1996-1997-1998, in the amount of approximately 46 million euros. TIM has appealed before the Council of State also against these judgments. By judgment published in April 2022, the Council of State stressed the principles already set for 1994, namely that receivables that have become uncollectable for reasons not the fault of the operator, correctly handled in the accounts, on the financial statements and in terms of tax, can be deducted from the tax base for calculating the concession fee.

With reference to the 1998 fee adjustment (equal to about 41 million euros), the Lazio TAR, by TAR order of December 2018, suspended the judgment, raising preliminary questions with the EU Court of Justice on the correct scope of EC Directive no. 97/13 (in the matter of general authorizations and individual licenses in the field of telecommunications services on the basis of the currently pending litigation on the 1998 license fee, currently pending before the Rome Court of Appeal and illustrated in a subsequent paragraph).

The referred questions were based, inter alia, on the question posed to the Court of Justice on the possible conflict between the aforementioned EC Directive 97/13 and national law, which extended the obligation for telecommunications license-holders to pay the license fee for 1998 (commensurate with a portion of turnover), despite the liberalization process underway. In its judgment of March 2020, the EU Court of Justice held that the EU regulatory system must be interpreted as not allowing national legislation to extend to 1998 the obligation imposed on a telecommunications undertaking that was previously the concession holder (such as TIM) to pay a fee calculated on the basis of turnover and not only the administrative costs connected with the granting, management, control and implementation of the general authorizations and individual licenses scheme. The Court held, inter alia, that the Council of State – having held in its judgment 7506/2009 that the fee imposed for 1998 on TIM, the holder of an authorization existing on the date of entry into force of Directive 97/13, was due – interpreted national law in a way that was incompatible with EU law, as interpreted by the Court in its judgment of February 21, 2008. Following the judgment of the EU Court of Justice, the opinion on the final calculation of the 1998 charges was summarized before the Lazio Regional Administrative Court, which, in a judgment given last February, declared TIM’s appeal as unacceptable for procedural reasons, namely due to the prevalence of the formal ruling consisting of judgment no. 7506/09; in substantive terms, on the other hand, the judgment of the EU Court of Justice once again ascertained the European Community unlawful nature of the credit claim by the PA to obtain payment of the 1998 charges and, consequently, the final balance. The company has challenged the judgment of the Lazio Regional Administrative Court.

Poste

There are some pending disputes brought, at the end of the '90s, by Ing. C. Olivetti & C. S.p.A. (now TIM) against Poste, the Italian postal service, concerning non-payment of services delivered under a series of contracts to supply IT goods and services. The judgments issued in the lower courts established an outcome that was partially favorable to the ex-Olivetti, and have been appealed against by Poste in individual rehearings.

In this respect, while a 2009 judgment of the Rome Appeal Court confirmed one of the outstanding payables to TIM, another judgment by the same Court declared void one of the disputed contracts. After this judgment, Poste had issued a writ for the return of approximately 58 million euros, opposed by TIM given that the judgment of the Supreme Court for amendment of the above judgment is still pending.

After the 2012 judgment of the Supreme Court that quashed and remanded the decision of the Appeal Court on which the order was based, the Rome Court declared that the matter of issue in the enforcement proceedings was discontinued, since the claim made by Poste had been rejected. The judgment was resubmitted to another section of the Rome Appeal Court. In ruling no. 563 of January 25, 2019, the Rome Court of Appeal at the time of proceedings, reversing the Company's previous unfavorable appeal, confirmed the contract's validity and, with it, the legitimacy of TIM's view of the amount already collected, of which Poste had requested reimbursement. This ruling was challenged by Poste with appeal filed with the Court of Cassation, notified on July 31, 2019, which TIM challenged with relevant counter appeal.

Elinet S.p.A. Bankruptcy

In 2014, the receiver of Elinet S.p.A., and subsequently the receivers of Elitel S.r.l. and Elitel Telecom S.p.A. (the parent, at the time, of the Elitel group) appealed the judgment by which the Court of Rome dismissed the damages claim brought by the receivers of the Elinet-Elitel group, filing a new damages claim for a total of 282 million euros. The Company is alleged to have exercised management and control powers over the plaintiff, and, with it, over the Elitel group (an OLO in which TIM has never held any equity interest) through the management of trade receivables. TIM filed an appearance, challenging the claims made by the other party. The judgment on the appeal was handed down with ruling in July 2019, which with reference to TIM confirmed full legality of its conduct and total non-existence of any element of direction and coordination. The receivers of Elinet S.p.A. and Elitel Telecom S.p.A. appealed to the Court of Cassation in January 2020 to obtain the annulment of the judgment in the second instance. The receiver of Elitel S.r.l. has not filed an appeal with the Court of Cassation and, consequently, the total claim for damages has been reduced to 244 million euros. TIM notified a counterclaim asking confirmation of the ruling appealed against. The Court has scheduled the hearing in chambers for February 3, 2023.

Brazil - Opportunity Arbitration

In May 2012, TIM and Telecom Italia International N.V. (now merged in Telecom Italia Finance) were served with a notice of arbitration proceedings brought by the Opportunity group, claiming compensation for damages allegedly suffered for presumed breach of a settlement agreement signed in 2005. Based on the claimant’s allegations, the damages relate to circumstances that emerged in the criminal proceedings pending before the Milan Court regarding, *inter alia*, unlawful activities engaged in by former employees of TIM.

The investigatory phase having been completed, the hearing for oral discussion took place in November 2014, after which the parties filed their concluding arguments in preparation for the decision on the case.

In September 2015, the Board of Arbitration declared the proceedings closed, as the award was going to be filed.

In September 2016 the ICC Court notified the parties of its judgment, based on which the Court of Arbitration rejected all the claims made by the Opportunity group and decided that the legal costs, administrative costs and costs for expert witnesses should be split between the parties (the "2016 Arbitration Award").

In April 2017 the Opportunity group filed an appeal against the 2016 Arbitration Award before the Paris Court of Appeal.

In November 2017, TIM and Telecom Italia Finance received from the Secretariat of the ICC's International Court of Arbitration notice of a Request for Revision of the 2016 Arbitration Award, filed by the Opportunity group, asking for a new award. A Board of Arbitration was subsequently established.

In October 2018, TIM and Telecom Italia Finance requested proceedings with the Paris Court of Appeal to be suspended, in the light of proceedings pending with the Court of Arbitration of the International Chamber of Commerce to review the same 2016 Arbitration Award. In November 2018, the Paris Court of Appeal suspended the proceedings until the decision is taken by the Court of Arbitration in the review proceedings.

As regards the proceedings to review the 2016 Arbitration Award, in October 2019 the ICC held the discussion hearing in Paris. In August 2020, the Arbitration Court issued the award rejecting the Request for Revision presented by the Opportunity Group (the "2020 Arbitration Award"). In December 2020, the Opportunity group filed an appeal against the 2020 Arbitration Award before the Paris Court of Appeal. In May 2021 the Opportunity group asked the Paris Court of Appeal to summarize the proceedings brought against the 2016 Arbitration Award. Thereafter, the Opportunity Group, TIM and Telecom Italia Finance filed their briefs in the two proceedings pending before the Paris Court of Appeal, respectively against the 2016 Award and the 2020 Award. The Court of Appeal has scheduled the hearing for discussion of both proceedings for June 5, 2023.

Iliad

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

TIM filed an appearance, fully disputing the requests of Iliad Italia S.p.A.; and, in turn, submitting a counterclaim in accordance with Art. 2598 of the Italian Civil Code, with reference to the denigration implemented by Iliad Italia S.p.A. in regard to TIM and formulating a symmetrical claim for compensation for damages. In the first preliminary brief, Iliad updated its claim for damages, taking it to 242.8 million euros. Following the hearing for the specification of the parties' pleadings, held with written discussion, the court deferred the hearing for decision, assigning deadlines for submitting the closing arguments and statements of defense.

Iliad

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

T-Power

By writ of summons notified in December 2021, T-Power s.r.l., former agent for the consumer sector, summonsed TIM before the Court of Rome to have the right acknowledged to receive payment of a total maximum amount of approximately 85 million euros by way of commission, compensation in lieu of notice and termination of employment, as well as compensation for damages. The disputed ended in December 2022 with a settlement.

Fastweb (Ethernet ATM migration)

By writ of summons notified in December 2021, TIM summonsed Fastweb before the Court of Milan, asking that it be ascertained and declared that Fastweb had not achieved the minimum objectives of migration from ATM bitstream technology to Ethernet bitstream technology in any of the 30 Collection Areas into which the national territory is divided by the deadline envisaged by industry regulation and the migration plan agreed by the parties; and therefore that it ascertain and declare that Telecom is entitled to: (a) reverse the economic benefits relating to this migration granted retroactively from 4/12/2016 to Fastweb and (b) obtain from Fastweb the prices for the ATM bandwidth envisaged by the contract stipulated by the parties and the current OR in force ratione temporis; (c) therefore declare and order Fastweb to pay Telecom the total amount of 79,240,329.47 euros (or other amount, potentially greater, as may be assessed during the course of proceedings).

Fastweb filed an appearance and submitted a counterclaim for abuse of a dominant market position and breach of contract. Fastweb's application is essentially based on alleged delays in the development of Ethernet coverage. The counterparty complains of damages of around 81.4 million euros. Having noted that the counterclaim made by Fastweb would appear to go beyond the profile of breach of contract and that, in this case, the specialized business chambers may be competent to judge the matter, the investigating judge has returned the case to the Chambers President for due consideration. The Chambers President has submitted the case to the President of the specialized business chambers. The first hearing is scheduled for December 14, 2022. The hearing for the admission of the preliminary motions has been postponed to June 13, 2023.

Wind Tre (INWIT)

By writ of summons notified in July 2022, Wind Tre summonsed TIM, INWIT and Vodafone to trial before the Court of Milan, asking that it ascertain the obstructive conduct of INWIT, seeking to prevent Wind Tre from upgrading the devices of its mobile network currently located at INWIT sites on the basis of the hosting contracts currently in force inter partes. Such conduct would constitute breach of contract and unlawful exploitation of the dominant position in accordance with Art. 3 of the Antitrust Law as well as unfair competition by third party also perpetrated in the form of secondary boycotting by INWIT S.p.A., TIM S.p.A. and Vodafone Italia S.p.A.. The opposing party asks the Court to ascertain and declare INWIT S.p.A., TIM S.p.A. and Vodafone Italia S.p.A. jointly liable to compensate the damages suffered by Wind Tre as a result of such unlawful acts, to be quantified as 50 million euros. The first hearing is scheduled for March 1, 2023. On January 9, 2023, Wind Tre withdrew the appeal against INWIT, Vodafone and TIM and the proceedings were extinguished.

Iliad (INWIT)

By writ of summons notified in July 2022, Iliad Italia S.p.A. summonsed Telecom, Vodafone and Infrastrutture Wireless Italiane S.p.A. ("INWIT") before the Court of Milan to assess the alleged unlawful conduct of INWIT, Telecom and Vodafone, consisting of refusal to allow Iliad to upgrade its mobile telephone transmission systems installed on INWIT-owned infrastructures. As a result of this conduct, Iliad has asked that Telecom be ordered, together with INWIT and Vodafone, to compensate the damages allegedly suffered, which it has reserved the right to quantify during the course of proceedings. The first hearing is scheduled for February 28, 2023.

b) Other information

Mobile telephony - criminal proceedings

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

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

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

At the end of the preliminary hearing, which took place in March 2014, the Judge for the Preliminary Hearing committed for trial all the defendants (including TIM) who had not asked for their situation to be settled with alternative procedures, on the grounds that "examination in a trial" was needed. In April 2016, at the end of the first part of the trial, the Public Prosecutor asked for TIM to be sentenced to pay an administrative fine of 900 thousand euros, but decided not to ask for confiscation of any of the presumed profits of the offenses (quantified in the committal proceedings as totaling several million euros), based on the assumption that TIM had in any event remedied the presumed organizational inadequacies. While acknowledging the considerable redimensioning of the accusations, the Company has reiterated its total non-involvement in the facts at issue. In November 2016 the Court gave a verdict acquitting the Company on the grounds that there was no case to answer. All the individuals charged were also acquitted on various grounds.

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

The proceedings were assigned to Chambers IV of the Milan Court of Appeal and started in May 2022; they concluded in October.

Upon completion of the phase, the Court of Appeal confirmed the judgment challenged, repeating the acquittal of TIM and dismissing the requests for sentencing of the General Prosecutor's Office in regard to the Company.

The Court also set a deadline of 15 days for filing the grounds.

Dispute concerning the license fees for 1998

TIM has summoned the Prime Minister's Office to appear in a civil suit for compensation for damages caused by the Italian State through appeal ruling 7506/09, handed down by the Council of State in breach, in the view of the Company, of Community law.

The main claim which the proceedings are founded on is based on community jurisprudence that recognizes the right to assert the responsibility of the State in relation to violation of rights recognized in community law and injured by a judgment that has become definitive, in respect of which no other remedy may be applied. The judgment of the Council of State definitively denied TIM the right to obtain restitution of the concession charge for 1998 (totaling 386 million euros for Telecom Italia and 143 million euros for the former TIM Company, plus interest), already denied by the Lazio regional administrative court despite the favorable and binding opinion of the European Court of Justice in February 2008. This judgment concerned the conflict between EC Directive 97/13 on general authorizations and individual licenses in the telecommunications services industry, and the national regulations that had deferred, for 1998, the obligation to pay the fee payable by telecommunications concession holders, despite the intervening deregulation process. The

Company then proposed an alternative compensation claim, within the sphere of the same proceedings, for tort pursuant to art. 2043 of the Italian Civil Code. The compensation claimed has been quantified as approximately 529 million euros, plus legal interest and revaluation. The Avvocatura di Stato filed an appearance and submitted a counterclaim for the same sum. The case is subject to eligibility analysis by the Court, which declared the inadmissibility of TIM's main claim (case for damages for manifest breach of community law pursuant to law 117/88). However, this decision was amended in favor of the Company on appeal. In March 2015 the Rome Court issued its judgment in the first instance, declaring the Company's application inadmissible.

In 2015, TIM has appealed the decision, and the case is now pending the hearing specifying the nature of the forms of order sought. The Court of Appeal has scheduled the hearing for closing arguments for April 2, 2019. Thereafter, without any new procedural activities having taken place, the Court of Appeal incontrovertibly deferred the hearing for closing arguments first to 2020 and then to 2021 (from when the terms for conclusion and replies shall run, which will be followed shortly thereafter by the issue of the judgment). These deferrals were followed by the latest, of January 15, 2021, scheduling the new hearing for January 25, 2022.

On the matters underlying the case, the following must be noted:

- on the considered lack of jurisdiction of the Court of Rome (concerned by the judgment of the Court of Rome appealed by TIM) to judge the liability of the Italian government for the work of senior magistrates (in the case in point, the Council of State), which would have led to the declared inadmissibility of the claim in accordance with Art. 5, law no. 117/1978 (old text) - the United Chambers of the Court of Cassation ruled with judgment no. 14842 on June 7, 2018, confirming the jurisdiction of the Court of Rome and, therefore, the correctness of TIM's choice to base its lawsuit in the Court of Rome;
- on the unlawful nature of the conduct of the Italian government - and, therefore, on the liability of the State-Court in accordance with Law no. 117/1998 - once again, the EU Court of Justice has ruled, deciding on the prejudicial matter raised by the Lazio TAR in other, connected proceedings, in its judgment given on March 4, 2020 in C-34/19, stressing that TIM was not required to pay the charges demanded by the State for 1998 and, therefore, confirming the clear violation by the Council of State of European Community law (also because in clear conflict with the decision already given by the EU Court of Justice on February 21, 2008 in C-296/06, as, moreover, already ruled by the Court of Appeal of Rome, Chambers I, in Decree of January 31, 2012, which sanctioned the procedural admissibility of TIM's lawsuit);
- on the matter of the right to repeat the charges paid for 1998 - the Court of Cassation ruled in its judgment no. 18603 given on September 7, 2020, rejecting the appeal brought by the Presidency of the Council against the judgment whereby the Court of Appeal of Rome had upheld the claim for compensation made by Vodafone (payment of charges for 1998) for the same title in separate proceedings.

In short, the company paid the charges disputed in 1998; it promptly challenged the administrative provision that had unfairly required said payment, before the administrative court; the administrative proceedings before the Council of State concluded negatively in 2009 (despite the recalled opposite judgment of the European Court of Justice); the civil proceedings of first instance concluded in March 2015 with a judgment of rejection for grounds of admissibility (then solved in the sense indicated by the company with the referenced judgment of Cassation in United Chambers no. 14842/18) and more than 6 years after the first instance judgment - going from deferral to deferral - the appeal judgment (that could only uphold the mentioned judgments of the Court of Justice and the Court of Cassation) has not yet been issued (nor, on the basis of these repeated deferrals, can the company forecast when it will be given).

The company is examining the various scenarios and legal claims (national, European Community, etc.) that may contribute towards defining the appeal dispute. It is considered, in fact, that the principles of the reasonable duration of the trial, in accordance with subsection 2 of article 111 of the Constitution and in accordance with article 6 of the European Convention on Human Rights, are violated by these events, considering: (i) the year in which payment was made of the undue charges is 1998; (ii) the value of these charges is approximately 529 million euros plus interest from that date; (iii) the extremely long procedural process has not even led to an appeal judgment (started in 2015 and with an unpredictable conclusion, given the continuous deferrals); (iv) the circumstance that the legal matter appears to be readily able to be settled, as not one but two judgments have already been given by the EU Court of Justice declaring payment of the charges to be incompatible with European Community legislation (judgments that have currently been ignored by the national court).

As part of the aforementioned analyzes aimed at reaching a definition of the appeal sentence, it should be pointed out that on January 25, 2021 the Company filed a request with the Rome Court of Appeal to bring forward the hearing (postponed, as mentioned, to January 25, 2022) in order to avoid yet another postponement of the case, which, as we know, concerns the non-compliance with two inter partes decisions, on the same matter, by the Court of Justice of the European Union for a clear violation of European law by the State-Judge. With a ruling on February 8, 2021, the Rome Court of Appeal (second section specializing in corporate matters) deemed it could grant the request for an advance ruling, setting the hearing for November 30, 2021. On that date the case was taken to decision with the assignment of the legal terms for closing statements and replies. By order of 2/22/2022, having acknowledged that one of its members had chosen to abstain, the Board re-submitted the case, arranging for the deeds to be sent onto the President of the Court of Appeal. On March 4, 2022, the case was reassigned to another judge. By judgment of March 31, 2022, the Board scheduled the hearing for December 1, 2022 for closing arguments. The Board has deferred the case to the hearing of January 19, 2023 for verbal discussion. Following the request made by the State advocacy, the case was deferred to the hearing of March 9, 2023.

TIM S.A. - Arbitration proceedings no. 28/2021/SEC8

In March 2020, TIM S.A. concluded negotiations with C6 and, in April 2020, launched exclusive offers for TIM customers who had opened C6 bank accounts and used their services. As compensation for this contract, TIM S.A. receives commission for each account activated, as well as the option of obtaining an investment in the bank upon achieving certain targets connected to the number of active accounts.

The number of shares received for each target achieved varies throughout the contract term, with the initial percentages being more advantageous for TIM due to the greater effort required for a new digital company to take off.

Even with the project's success, differences between the partners resulted in the initiation of arbitration proceedings in 2021.

Arbitration proceedings no. 28/2021/SEC8 were filed with the Arbitration and Mediation Center of the Brazil-Canada Chamber of Commerce, by TIM S.A. against Banco C6 S.A., Carbon Holding Financeira S.A. and Carbon Holding S.A. through which the interpretation will be discussed of certain clauses of the contracts governing the partnership. In the event of losing, the partnership may be dissolved.

TIM S.A. - Arbitration proceedings connected with the acquisition of the Oi Group mobile telephone assets

On September 19, 2022, TIM S.A., the Brazilian subsidiary of the TIM Group, reported that the Buyers (TIM S.A., Telefônica Brasil S.A. and Claro S.A.) of the mobile telephone assets of Oi Móvel S.A. (the "Seller") had identified differences in the assumptions and calculation criteria, that, under the Share Purchase Agreement and Other Covenants ("SPA") justified proposing an amendment of the Adjusted Closing Price ("ACP") by TIM 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 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).

On October 3, 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.

On October 4, 2022, TIM S.A. was surprised by news published by the press and by a Material Fact released by the Seller that a preliminary decision had been handed down by the 7th Business Court of the Judicial District of Rio de Janeiro 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. Said deposit has already been made, remaining in an account linked to the Court pending the installation of the Court of Arbitration.

TIM S.A. has appealed against the decision and on October 17, 2022, the Superior Court of Justice, by monocratic judgment, rejected TIM S.A.'s appeal and that of the other Buyers. Therefore, on October 19, 2022, TIM S.A. paid the 7th Business Court of the Judicial District of Rio de Janeiro, the amount of 670 million reais by way of guarantee.

Other liabilities related to the sale of assets and shareholdings

As part of agreements for the sale of assets and companies, the TIM Group has undertaken guarantees to indemnify the buyers for liabilities mainly connected with legal, tax, social security, and labor law issues, for an amount normally set as a percentage of the purchase price.
To cover such contingent liabilities, amounting to a total of around 250 million euros, provisions totaling approximately 9 million euros have been allocated solely for those cases for which payment is considered likely.
Furthermore, we report that in relation to the disposal of assets and investments, the TIM Group has commitments to pay additional indemnities under specific contractual provisions, the contingent liability of which cannot be measured at present.

C) Commitments and guarantees

Guarantees, net of back-to-back guarantees received, amounted to 33 million euros.

The guarantees provided by third parties to Group companies, amounting to 6,231 million euros, related to guarantees provided by banks and financial institutions as a guarantee of the proper performance of contractual obligations.

In particular, we report:

- the insurance guarantees, which totaled 1,632 million euros, mainly refer to guarantee financing by the TIM Group in applying legal provisions for contracts of Public Administrations and similar bodies;
- the TIM Group had bank guarantees issued in favor of INPS in support of the application - by TIM and some Group companies - of Article 4 of Italian Law 92 of June 28, 2012, for the voluntary redundancy of employees meeting the requirements; the total amount of the guarantees issued is 1,026 million euros, including 973 million euros for TIM S.p.A. and 53 million euros for Group companies.

Lastly, in May 2018, TIM issued a surety to the Prime Minister's Office for 74.3 million euros to secure an appeal to the Lazio Administration Court for a provisional stay of the administrative fine levied on TIM following the

preliminary investigation connected with the penalty proceeding initiated under Article 2 of Decree Law 21 of 3/15/2012 (the "Golden Power" law).

There are also surety bonds on the telecommunication services in Brazil for 684 million euros.

d) Assets guaranteeing financial liabilities

The special rate loan contracts granted by the Brazilian Development Bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social) to TIM S.A. for a total value of 125 million euros are covered by specific covenants. In the event of non-compliance with the covenant obligations, BNDES will have a right to the income which transits on the bank accounts of the company.

NOTE 26
REVENUES

This item rose by 472 million euros compared to 2021. The figure breaks down as follows:

(million euros)	2022	2021
Equipment sales	1,188	1,411
Services	14,600	13,905
Total	**15,788**	**15,316**

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 1,205 million euros (1,264 million euros in 2021), included in Costs of services.

Revenues from services in 2022 include revenues for voice and data services on fixed and mobile networks for Retail customers for 7,919 million euros and for other Wholesale operators for 2,686 million euros.

For a breakdown of revenues by operating segment/geographical area, reference should be made to the Note "Segment Reporting".

NOTE 27
OTHER INCOME

This item decreased by 59 million euros compared to 2021. The breakdown is as follows:

(million euros)	2022	2021
Late payment fees charged for telephone services	39	39
Recovery of employee benefit expenses, purchases and services rendered	13	12
Capital and operating grants	38	28
Damages, penalties and recoveries connected with litigation	37	27
Estimate revisions and other adjustments	68	71
Income for special training activities	1	67
Other	17	28
Total	**213**	**272**

NOTE 28
ACQUISITION OF GOODS AND SERVICES

This item rose by 689 million euros compared to 2021. The figure breaks down as follows:

(million euros)		2022	2021
Purchase of raw materials and goods	**(a)**	**1,164**	**1,266**
Costs of services:			
Revenues due to other TLC operators		1,205	1,264
Costs for telecommunications network access services		130	119
Commissions, sales commissions and other selling expenses		1,263	974
Advertising and promotion expenses		235	212
Professional and consulting services		311	253
Utilities		507	434
Maintenance costs		518	291
Outsourcing costs for other services		406	378
Mailing and delivery expenses for telephone bills, directories and other materials to customers		37	38
Other service expenses		665	718
	(b)	**5,277**	**4,681**
Lease and rental costs:			
Rent and leases		83	51
TLC circuit subscription charges		189	96
Other lease and rental costs		526	456
	(c)	**798**	**603**
Total	**(a+b+c)**	**7,239**	**6,550**

In 2022, lease and rental costs included around 12 million euros in short-term lease payments of modest value (approximately 11 million euros in 2021).

NOTE 29
EMPLOYEE BENEFITS EXPENSES

This item rose by 239 million euros compared to 2021. The figure breaks down as follows:

(million euros)		2022	2021
Ordinary employee expenses			
Wages and salaries		1,812	1,794
Social security expenses		658	651
Other employee benefits		153	148
	(a)	**2,623**	**2,593**
Costs and provisions for agency contract work	**(b)**	**1**	**—**
Miscellaneous expenses for employees and other labor-related services rendered			
Charges for termination benefit incentives		222	8
Corporate restructuring expenses		329	336
Other		5	4
	(c)	**556**	**348**
Total	**(a+b+c)**	**3,180**	**2,941**

Employee benefits expenses mainly related to the Domestic Business Unit for 2,868 million euros (2,703 million euros in 2021) and to the Brazil Business Unit for 311 million euros (237 million euros in 2021).

“Charges for termination benefit incentives” and “Corporate restructuring expenses” totaled 551 million euros (344 million euros in 2021) and are 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 year, with the trade unions and referring entirely to the Italian companies of the Domestic Business Unit.

The average salaried workforce, including agency contract workers, stood at 45,912 employees in 2022 (47,942 in 2021). A breakdown by category is as follows:

(number of units)	2022	2021
Executives	589	612
Middle Managers	4,090	4,154
White collars	41,059	43,110
Blue collars	159	54
Employees on payroll	**45,897**	**47,930**
Agency contract workers	15	12
Total average salaried workforce	**45,912**	**47,942**

The headcount at December 31, 2022, including agency contract workers, stood at 50,392 employees (51,929 at December 31, 2021), showing a decrease of 1,537 employees.

NOTE 30
OTHER OPERATING EXPENSES

These decreased by 686 million euros compared to 2021. The breakdown is as follows:

(million euros)	2022	2021
Write-downs and expenses in connection with credit management	236	305
Provision charges	129	704
TLC operating fees and charges	243	189
Indirect duties and taxes	104	99
Penalties, settlement compensation and administrative fines	25	127
Subscription dues and fees, donations, scholarships and traineeships	13	12
Other	66	66
Total	**816**	**1,502**
of which, included in the supplementary disclosure on financial instruments	*236*	*305*

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, see the Note on “Provisions for risks and charges”.

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

NOTE 31
INTERNALLY GENERATED ASSETS

This item rose by 84 million euros compared to 2021. The figure breaks down as follows:

(million euros)	2022	2021
Intangible assets with a finite useful life	244	216
Tangible assets	315	259
Total	**559**	**475**

They mainly refer to the capitalization of labor costs relating to design, construction and testing of network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

NOTE 32
DEPRECIATION AND AMORTIZATION

These increased by 287 million euros compared to 2021. The breakdown is as follows:

(million euros)		2022	2021
Amortization of intangible assets with a finite useful life			
Industrial patents and intellectual property rights		1,069	1,043
Concessions, licenses, trademarks and similar rights		442	466
Other intangible assets		6	2
	(a)	**1,517**	**1,511**
Depreciation of tangible assets owned			
Buildings (civil and industrial)		37	35
Plant and equipment		2,145	2,095
Manufacturing and distribution equipment		8	9
Other		158	145
	(b)	**2,348**	**2,284**
Amortization of rights of use assets			
Property		398	343
Plant and equipment		474	314
Other tangible assets		38	37
Intangible assets		2	1
	(c)	**912**	**695**
Total	**(a+b+c)**	**4,777**	**4,490**

For further details refer to the Notes "Intangible assets with a finite useful life", "Tangible assets" and "Rights of use assets".

For a breakdown of depreciation and amortization by operating segment/geographical area, reference should be made to the Note "Segment Reporting".

NOTE 33
GAINS/(LOSSES) ON DISPOSALS OF NON-CURRENT ASSETS

This item was broken down as follows:

(million euros)		2022	2021
Gains on disposals of non-current assets:			
Gains on the retirement/disposal of intangible, tangible and user rights on rental		50	15
	(a)	**50**	**15**
Losses on disposals of non-current assets:			
Losses on the retirement/disposal of intangible, tangible and user rights on rental		14	14
	(b)	**14**	**14**
Total	**(a-b)**	**36**	**1**

NOTE 34

IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS

This item was broken down as follows:

(million euros)		2022	2021
Impairment reversals on non-current assets:			
on intangible assets		—	—
on tangible assets		—	—
	(a)	**—**	**—**
Impairment losses on non-current assets:			
on intangible assets		—	4,120
on tangible assets		—	
	(b)	**—**	**4,120**
Total	**(a-b)**	**—**	**(4,120)**

The net impairment losses on non-current assets were null in 2022.

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".

NOTE 35

OTHER INCOME (EXPENSES) FROM INVESTMENTS

Details are as follows:

(million euros)	2022	2021
Dividends from Other investments	2	1
Net gains on the sale of investments in associates and joint ventures accounted for using the equity method	206	119
Sundry income (expense)	(2)	6
Total	**206**	**126**
of which, included in the supplementary disclosure on financial instruments	*2*	*3*

In 2022, the item mainly included:

- the 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;
- the net capital gain of 33 million euros connected with the October 2022 sale of the equity investment in Satispay.

In 2021, the item mainly included the net capital gain consequent to the dilution from 100% to 49% of the investment held in the Brazilian company I-Systems S.A. (119 million euros).

NOTE 36
FINANCE INCOME AND EXPENSES

Finance income (expenses) showed a net expense of 1,423 million euros (expense of 1,150 million euros in 2021) and comprises:

(million euros)	2022	2021
Finance income	1,115	1,124
Finance expenses	(2,538)	(2,274)
Net finance income (expenses)	**(1,423)**	**(1,150)**

The items break down as follows:

(million euros)		2022	2021
Interest expenses and other finance expenses:			
Interest expenses and other costs relating to bonds		(766)	(839)
Interest expenses to banks		(127)	(51)
Interest expenses to others		(51)	(24)
Finance expenses on lease liabilities		(377)	(271)
		(1,321)	**(1,185)**
Commissions		(70)	(61)
Other finance expenses (*)		(200)	(126)
		(270)	**(187)**
Interest income and other finance income:			
Interest income		122	75
Income from financial receivables, recorded in Non-current assets		3	8
Income from securities other than investments, recorded in Non-current assets		—	—
Income from securities other than investments, recorded in Current assets		23	20
Miscellaneous finance income (*)		51	39
		199	**142**
Total net finance interest/(expenses)	**(a)**	**(1,392)**	**(1,230)**
Other components of finance income and expenses:			
Net exchange gains and losses		23	39
Net result from derivatives		39	117
Net fair value adjustments to fair value hedge derivatives and underlying instruments		—	(4)
Net fair value adjustments to non-hedging derivatives		(93)	(72)
Total other components of finance income and expenses	**(b)**	**(31)**	**80**
Total net finance income (expenses)	**(a+b)**	**(1,423)**	**(1,150)**
of which, included in the supplementary disclosure on net financial instruments		*(1,142)*	*(936)*

(*) of which IFRS 9 impact:

(million euros)	2022	2021
Income from negative adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI	*1*	*4*
Expenses from positive adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI	*(7)*	*(1)*
Income/Expenses from IFRS 9 reserve impairment on financial assets measured at FVTOCI	*(6)*	*3*
Reversal of IFRS 9 impairment reserve on financial assets measured at FVTOCI	—	*5*
Impairment losses on financial assets other than investments	—	—

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

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

(million euros)		2022	2021
Foreign currency conversion gains		360	411
Exchange losses		(337)	(372)
Net exchange gains and losses		**23**	**39**
Income from fair value hedge derivatives		2	33
Charges from fair value hedge derivatives		(1)	—
Net result from fair value hedge derivatives	**(a)**	**1**	**33**
Positive effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)		426	366
Negative effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)		(321)	(295)
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	**(b)**	**105**	**71**
Income from non-hedging derivatives		56	43
Charges from non-hedging derivatives		(123)	(30)
Net result from non-hedging derivatives	**(c)**	**(67)**	**13**
Net result from derivatives	**(a+b+c)**	**39**	**117**
Positive fair value adjustments to fair value hedge derivatives		—	—
Negative fair value adjustments relating to financial assets and liabilities underlying fair value hedge derivatives		—	—
Net fair value adjustments	**(d)**	**—**	**—**
Positive fair value adjustments to Underlying financial assets and liabilities of fair value hedge derivatives		3	50
Negative fair value adjustments relating to fair value hedge derivatives		(3)	(54)
Net fair value adjustments	**(e)**	**—**	**(4)**
Net fair value adjustments to fair value hedge derivatives and underlying instruments	**(d+e)**	**—**	**(4)**
Positive fair value adjustments to non-hedging derivatives	(f)	69	79
Negative fair value adjustments to non-hedging derivatives	(g)	(162)	(151)
Net fair value adjustments to non-hedging derivatives	**(f+g)**	**(93)**	**(72)**

NOTE 37
PROFIT (LOSS) FOR THE YEAR

The profit (loss) for the year can be analyzed 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**

NOTE 38
EARNINGS PER SHARE

		2022	2021
Basic earnings per share			
Profit (loss) for the year attributable to owners of the Parent		(2,925)	(8,652)
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)		—	—
	(million euros)	(2,925)	(8,652)
Average number of ordinary and savings shares	(millions)	21,241	21,205
Basic earnings per share – Ordinary shares	(euros)	(0.14)	(0.40)
Plus: additional dividends per savings share		—	—
Basic earnings per share – Savings shares	(euros)	(0.14)	(0.40)
Basic earnings per share from continuing operations			
Profit (loss) from continuing operations attributable to Owners of the Parent		(2,925)	(8,652)
Less: additional dividends for the savings shares		—	—
	(million euros)	(2,925)	(8,652)
Average number of ordinary and savings shares	(millions)	21,241	21,205
Basic earnings per share from continuing operations – Ordinary shares	(euros)	(0.14)	(0.40)
Plus: additional dividends per savings share		—	—
Basic earnings per share from continuing operations – Savings shares	(euros)	(0.14)	(0.40)
Basic earnings per share from Discontinued operations/Non-current assets held for sale			
Profit (loss) from Discontinued operations/Non-current assets held for sale	(million euros)	—	—
Average number of ordinary and savings shares	(millions)	21,241	21,205
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares	(euros)	—	—
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares	(euros)	—	—

	2022	2021
Average number of ordinary shares	15,213,524,300	15,177,486,840
Average number of savings shares	6,027,791,699	6,027,791,699
Total	**21,241,315,999**	**21,205,278,539**

		2022	2021
Diluted earnings per share			
Profit (loss) for the year attributable to owners of the Parent		(2,925)	(8,652)
Dilution effect of stock option plans and convertible bonds (*)		—	—
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)		—	—
	(million euros)	(2,925)	(8,652)
Average number of ordinary and savings shares	(millions)	21,241	21,205
Diluted earnings per share – Ordinary shares	(euros)	(0.14)	(0.40)
Plus: additional dividends per savings share		—	—
Diluted earnings per share – Savings shares	(euros)	(0.14)	(0.40)
Diluted earnings per share from continuing operations			
Profit (loss) from continuing operations attributable to Owners of the Parent		(2,925)	(8,652)
Dilution effect of stock option plans and convertible bonds (*)		—	—
Less: additional dividends for the savings shares		—	—
	(million euros)	(2,925)	(8,652)
Average number of ordinary and savings shares	(millions)	21,241	21,205
Diluted earnings per share from continuing operations – Ordinary shares	(euros)	(0.14)	(0.40)
Plus: additional dividends per savings share		—	—
Diluted earnings per share from continuing operations – Savings shares	(euros)	(0.14)	(0.40)
Diluted earnings per share from Discontinued operations/Non-current assets held for sale			
Profit (loss) from Discontinued operations/Non-current assets held for sale	(million euros)	—	—
Dilution effect of stock option plans and convertible bonds		—	—
Average number of ordinary and savings shares	(millions)	21,241	21,205
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares	(euros)	—	—
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares	(euros)	—	—

	2022	2021
Average number of ordinary shares (*)	15,213,524,300	15,177,486,840
Average number of savings shares	6,027,791,699	6,027,791,699
Total	**21,241,315,999**	**21,205,278,539**

(*) The average number of ordinary shares also includes the potential ordinary shares relating to the equity compensation plans of employees for which the (market and non-market) performance conditions have been met, in addition to the theoretical number of shares that are issuable as a result of the conversion of the unsecured equity-linked convertible bond reimbursed on March 26, 2022. Consequently, the "Net profit (loss) for the year attributable to owners of the Parent" and the "Profit (loss) from continuing operations attributable to owners of the Parent" are also adjusted to exclude the effects, net of tax, related to the above-mentioned plans and to the convertible bond (+10 million euros in 2022; +43 million euros in 2021). As regards 2022 and 2021, however, these effects have not been included in the calculation insofar as, in accordance with the provisions of IAS 33, the latter are allegedly anti-diluting.

Future potential changes in share capital

The table below shows future potential changes in share capital, based on the long-term share incentive plans, still outstanding at December 31, 2022:

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

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

NOTE 39
SEGMENT REPORTING

a) Segment reporting

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

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

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

The results of financial management, income tax expense for the year, as well as profit (loss) from Discontinued operations / Non-current assets held for sale are presented at a consolidated level.

Separate Consolidated Income Statement by Operating Segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Third-party revenues	11,826	12,477	3,962	2,839	—	—	—	—	15,788	15,316
Intragroup revenues	32	28	1	1	—	—	(33)	(29)	—	—
Revenues by operating segment	**11,858**	**12,505**	**3,963**	**2,840**	**—**	**—**	**(33)**	**(29)**	**15,788**	**15,316**
Other income	196	259	17	13	—	—	—	—	213	272
Total operating revenues and other income	**12,054**	**12,764**	**3,980**	**2,853**	**—**	**—**	**(33)**	**(29)**	**16,001**	**15,588**
Acquisition of goods and services	(5,697)	(5,534)	(1,562)	(1,037)	(7)	(3)	27	24	(7,239)	(6,550)
Employee benefits expenses	(2,868)	(2,703)	(311)	(237)	(1)	(1)	—	—	(3,180)	(2,941)
of which: provisions for employee severance indemnities	—	(1)	—	—	—	—	—	—	—	(1)
Other operating expenses	(444)	(1,211)	(367)	(282)	(4)	(8)	(1)	(1)	(816)	(1,502)
of which: write-downs and expenses in connection with credit management and provision charges	(226)	(896)	(139)	(113)		—	—	—	(365)	(1,009)
Change in inventories	16	17	6	(7)	—	—	—	—	22	10
Internally generated assets	458	397	93	72	—	—	8	6	559	475
EBITDA	**3,519**	**3,730**	**1,839**	**1,362**	**(12)**	**(12)**	**1**	**—**	**5,347**	**5,080**
Depreciation and amortization	(3,518)	(3,595)	(1,259)	(895)	—	—	—	—	(4,777)	(4,490)
Gains (losses) on disposals of non-current assets	23	(5)	13	6	—	—	—	—	36	1
Impairment reversals (losses) on non-current assets	—	(4,120)	—	—	—	—	—	—	—	(4,120)
EBIT	**24**	**(3,990)**	**593**	**473**	**(12)**	**(12)**	**1**	**—**	**606**	**(3,529)**
Share of losses (profits) of associates and joint ventures accounted for using the equity method	35	40	(11)	(2)	—	—	(1)	—	23	38
Other income (expenses) from investments									206	126
Finance income									1,115	1,124
Finance expenses									(2,538)	(2,274)
Profit (loss) before tax from continuing operations									**(588)**	**(4,515)**
Income tax expense									(2,066)	(3,885)
Profit (loss) from continuing operations									**(2,654)**	**(8,400)**
Profit (loss) from Discontinued operations/Non-current assets held for sale									—	—
Profit (Loss) for the year									**(2,654)**	**(8,400)**
Attributable to:										
Owners of the Parent									**(2,925)**	**(8,652)**
Non-controlling interests									271	252

Revenues by operating segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenues from equipment sales - third party	1,059	1,322	129	88	—	—	—	1	1,188	1,411
Revenues from equipment sales - intragroup	—	—	—	—	—	—	—	—	—	—
Total revenues from equipment sales	**1,059**	**1,322**	**129**	**88**	—	**—**	**—**	**1**	**1,188**	**1,411**
Revenues from services - third party	10,767	11,155	3,833	2,751	—	—	—	(1)	14,600	13,905
Revenues from services - intragroup	32	28	1	1	—	—	(33)	(29)	—	—
Total revenues from services	**10,799**	**11,183**	**3,834**	**2,752**	—	**—**	**(33)**	**(30)**	**14,600**	**13,905**
Total third-party revenues	11,826	12,477	3,962	2,839	—	—	—	—	15,788	15,316
Total intragroup revenues	32	28	1	1	—	—	(33)	(29)	—	—
Total revenues by operating segment	**11,858**	**12,505**	**3,963**	**2,840**	**—**	**—**	**(33)**	**(29)**	**15,788**	**15,316**

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

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Purchase of intangible assets	913	1,204	215	682	—	—	—	—	1,128	1,886
Purchase of tangible assets	2,178	2,095	650	570	—	—	—	—	2,828	2,665
Purchase of rights of use assets	464	304	489	442	—	—	—	—	953	746
Total purchase of intangible, tangible and rights of use assets	**3,555**	**3,603**	**1,354**	**1,694**	**—**	**—**	**—**	**—**	**4,909**	**5,297**
of which: capital expenditures	*3,207*	*3,377*	*870*	*1,253*	—	—	—	—	*4,077*	*4,630*
of which: increases in lease/leasing contracts for rights of use assets	*348*	*226*	*484*	*441*	—	—	—	—	*832*	*667*

Headcount by Operating Segment

(number of units)	Domestic		Brazil		Other Operations		Consolidated Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Headcount	**40,984**	**42,591**	**9,395**	**9,325**	**13**	**13**	**50,392**	**51,929**

Assets and liabilities by Operating Segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Non-current operating assets	40,747	40,805	7,970	5,332	1	1	2	1	48,720	46,139
Current operating assets	3,975	3,794	907	864	19	19	(40)	(37)	4,861	4,640
Total operating assets	44,722	44,599	8,877	6,196	20	20	(38)	(36)	53,581	50,779
Investments accounted for using the equity method	262	2,725	277	253	—	—	—	1	539	2,979
Discontinued operations /Non-current assets held for sale										—
Unallocated assets									7,907	15,429
Total Assets									**62,027**	**69,187**
Total operating liabilities	8,886	10,890	2,133	1,671	23	29	(105)	(81)	10,937	12,509
Liabilities directly associated with Discontinued operations/Non-current assets held for sale										—
Unallocated liabilities									32,365	34,639
Equity									18,725	22,039
Total Equity and Liabilities									**62,027**	**69,187**

b) Reporting by geographical area

(million euros)		Revenues				Non-current operating assets	
		Breakdown by location of operations		Breakdown by location of customers		Breakdown by location of operations	
		2022	2021	2022	2021	12/31/2022	12/31/2021
Italy	(a)	11,553	12,189	10,928	11,557	40,495	40,542
Outside Italy	(b)	4,235	3,127	4,860	3,759	8,225	5,597
Total	**(a+b)**	**15,788**	**15,316**	**15,788**	**15,316**	**48,720**	**46,139**

c) Information about major customers

None of the TIM Group's customers exceeds 10% of consolidated revenues.

NOTE 40
RELATED-PARTY TRANSACTIONS

The following tables show the figures relating to related party transactions and the impact of those amounts on the separate consolidated income statement, consolidated statements of financial position and consolidated statements of cash flows.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length. They were performed in compliance with the internal procedure, which sets forth rules designed to ensure the transparency and fairness of the transactions in accordance with Consob Regulation 17221/2010. The current procedure is available on the website gruppotim.it, under the Group - Governance - Governance Tools - Other Codes and Procedures section.

The effects of the related-party transactions on the TIM Group separate consolidated income statement line items for 2022 and 2021 are as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2022

(million euros)	**Total** (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties** (b)	% of financial statement item (b/a)
Revenues	**15,788**	17	154			**171**	1.1
Other income	**213**	3				**3**	1.4
Acquisition of goods and services	**7,239**	270	221			**491**	6.8
Employee benefits expenses	**3,180**			76	24	**100**	3.1
Depreciation and amortization	**4,777**	29	4			**33**	0.7
Finance expenses	**2,538**	12				**12**	0.5

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2021

(million euros)	**Total** (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties** (b)	% of financial statement item (b/a)
Revenues	**15,316**	31	31			**62**	0.4
Other income	**272**	1	11			**12**	4.4
Acquisition of goods and services	**6,550**	355	142			**497**	7.6
Employee benefits expenses	**2,941**			74	34	**108**	3.7
Other operating expenses	**1,502**	3				**3**	0.2
Depreciation and amortization	**4,490**	50				**50**	1.1
Finance income	**1,124**		1			**1**	0.1
Finance expenses	**2,274**	18				**18**	0.8

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

The effects of related-party transactions on the TIM Group separate consolidated statements of financial position line items at December 31, 2022 and December 31, 2021, are as follows:

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2022

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties (b)**	% of financial statement item (b/a)
Net financial debt						
Non-current financial receivables arising from lease contracts	(49)		(1)		**(1)**	2.0
Current financial receivables arising from lease contracts	(69)		(11)		**(11)**	15.9
Non-current financial liabilities for lease contracts	4,597		10		**10**	0.2
Current financial liabilities for lease contracts	870		13		**13**	1.5
Total net financial debt	25,370		11		**11**	—
Other statement of financial position line items						
Rights of use assets	5,488		38		**38**	0.7
Miscellaneous receivables and other non-current assets	2,365	1			**1**	—
Trade and miscellaneous receivables and other current assets	4,539	26	55		**81**	1.8
Miscellaneous payables and other non-current liabilities	1,146		21		**21**	1.8
Trade and miscellaneous payables and other current liabilities	8,199	34	91	24	**149**	1.8

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2021

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Net financial debt						
Non-current financial receivables arising from lease contracts	**(45)**		(1)		**(1)**	2.2
Non-current financial liabilities for lease contracts	**4,064**	269			**269**	6.6
Current financial liabilities for financing contracts and others	**5,945**	1			**1**	—
Current financial liabilities for lease contracts	**651**	74			**74**	11.4
Total net financial debt	**22,416**	**344**	**(1)**		**343**	**1.5**
Other statement of financial position line items						
Rights of use assets	**4,847**	299	2		**301**	6.2
Trade and miscellaneous receivables and other current assets	**4,358**	24	56		**80**	1.8
Miscellaneous payables and other non-current liabilities	**1,413**	2	25		**27**	1.9
Trade and miscellaneous payables and other current liabilities	**9,473**	182	60	23	**265**	2.8

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

The effects of the related-party transactions on the significant TIM Group consolidated statements of cash flows line items for 2022 and 2021 are as follows:

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2022

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Purchase of intangible, tangible and rights of use assets on an accrual basis	**4,909**	42	29		**71**	—

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2021

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Purchase of intangible, tangible and rights of use assets on an accrual basis	**5,297**	8	15		**23**	0.4
Dividends paid	**368**		51		**51**	13.9

(*) Vivendi Group and companies belonging to the group that it belongs to, Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

Transactions with associates, subsidiaries of associates and joint ventures

Under the scope of the reorganization of Italtel S.p.A., on April 1, 2022, TIM S.p.A. subscribed to part of the company's share capital increase, taking the share held by the TIM Group in Italtel S.p.A. to 17.72%.

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

Therefore, starting April 1, 2022, the company is considered an associate and its subsidiaries are considered related parties of the TIM Group.

In accordance with Art. 5, subsections 8 and 9 of Consob Regulation no. 17221 of March 12, 2010 concerning "Related-Party Transactions" and subsequent amendments, in 2022, the carrying out of the Transaction of greater importance is noted, as defined by Art. 4, subsection 1, letter a) of the above regulation and by Art. 7 of the Company's Related-Party Transactions Procedure, following the award of the European open tender procedure for the award, by public-private partnership contract, of the development and management of the National Strategic Hub.

The most significant values of the transactions with associates, subsidiaries of associates and joint ventures are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2022	2021	TYPE OF CONTRACT
Revenues			
Polo Strategico Nazionale S.p.A.	16		Products and services related to the start-up phase of the National Strategic Hub.
INWIT S.p.A.	15	42	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing, maintenance services and administrative outsourcing.
I-Systems S.A.	7	1	Services supplied by TIM S.A.
Italtel S.p.A.	1		Supply of fixed and mobile telephone services including equipment, Microsoft licenses and outsourcing services.
NordCom S.p.A.	1	1	Fixed and mobile voice services, equipment, data network connections and outsourcing.
TIMFin S.p.A.	(23)	(13)	Mobile and fixed voice services, outsourced services, fees and margins for miscellaneous costs for loans.
Total revenues	**17**	**31**	
Other income	**3**	**1**	Recovery of seconded personnel costs, recovery of centralized expenses.
Acquisition of goods and services			
INWIT S.p.A.	167	341	Supply of services for BTS sites, power supply systems for the supply of electricity of the hosted devices, monitoring and security services (alarms) and management and maintenance services, remote management and monitoring of the electricity consumption of TIM technological infrastructures (BTS) hosted at INWIT sites.
I-Systems S.A.	67	5	Supply of multimedia communication services and capacity services.
Italtel S.p.A.	27		Supply of equipment, software licenses, professional services, hardware and software maintenance services connected with TIM offers to end customers, supply of network and security equipment maintenance services for a time-frame of 24 months, linked to the TIM offer for the customer Poste Italiane.
W.A.Y. S.r.l.	8	8	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
Other minor companies	1	1	
Total acquisition of goods and services	**270**	**355**	
Other operating expenses	**—**	**3**	Penalties for breach of contract on maintenance management services to INWIT S.p.A.
Depreciation and amortization	**29**	**50**	Amortization of rights of use related to the recognition of greater non-current assets amortized over the residual contractual term, towards INWIT S.p.A.
Finance expenses			
INWIT S.p.A.	9	15	Finance expenses for interest related to financial liabilities for rights of use.
TIMFin S.p.A.	3	3	Finance expenses for commission and other finance expenses.
Total finance expenses	**12**	**18**	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2022	12/31/2021	TYPE OF CONTRACT
Net financial debt			
Non-current financial liabilities for lease contracts	—	**269**	Non-current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A.
Current financial liabilities for lease contracts	—	**74**	Current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A.
Current financial liabilities for financing contracts and others	—	**1**	Financial liabilities for expenses on the transfer of receivables in respect of TIMFin S.p.A.
Other statement of financial position line items			
Rights of use assets	—	**299**	Rights of use related to the recognition of greater non-current assets amortized over the residual contractual term, towards INWIT S.p.A.
Miscellaneous receivables and other non-current assets	**1**		Other deferred costs to Italtel S.p.A.
Trade and miscellaneous receivables and other current assets			
Polo Strategico Nazionale S.p.A.	20		Products and services related to the start-up phase of the National Strategic Hub.
I-Systems S.A.	3	1	Services supplied by TIM S.A.
Italtel S.p.A.	1		Supply of fixed and mobile telephone services including Microsoft devices and licenses.
W.A.Y. S.r.l.	1	2	Deferred costs for supply of customized platforms, application offers and fixed and mobile voice services.
Other minor companies	1	1	
INWIT S.p.A.	—	20	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing, maintenance services and administrative outsourcing.
Total trade and miscellaneous receivables and other current assets	**26**	**24**	
Miscellaneous payables and other non-current liabilities	—	**2**	Deferred subscription charge revenues from INWIT S.p.A.
Trade and miscellaneous payables and other current liabilities			
Italtel S.p.A.	15		Supply contracts connected with investment and operation.
I-Systems S.A.	9	5	Supply of multimedia communication services and capacity services.
TIMFin S.p.A.	8	3	Cost of the risk for loans.
W.A.Y. S.r.l.	2	2	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
INWIT S.p.A.	—	171	Supply of services for BTS sites, monitoring and security services, management and maintenance services.
Movenda S.p.A.	—	1	Supply and certification of SIM-cards, software systems.
Total trade and miscellaneous payables and other current liabilities	**34**	**182**	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2022	2021	TYPE OF CONTRACT
Purchase of intangible, tangible and rights of use assets on an accrual basis			
Italtel S.p.A.	35	-	Software development, FTTH design for FiberCop works, supply of hardware and software, installations of hardware and engineering services for the network platforms.
INWIT S.p.A.	7	7	IRU acquisition of backhauling connections, supply of plants, installation and related activations for the extension of indoor radio mobile coverage relating to TIM offerings to end customers.
Movenda S.p.A.	—	1	Supply and development systems software.
Total purchase of intangible, tangible and rights of use assets on an accrual basis	**42**	**8**	

Transactions with other related parties (through directors, statutory auditors and key managers, as well as participants in shareholder agreements pursuant to Article 122 of the Consolidated Law on Finance)

Details are provided below of the transactions with:

- Vivendi Group and the companies of the group that it belongs to;
- CDP Group (Cassa Depositi e Prestiti and Group subsidiaries);
- Companies related through Directors, Statutory Auditors and Key Managers with strategic responsibilities.

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2022	2021	TYPE OF CONTRACT
Revenues			
Cassa Depositi e Prestiti Group	153	30	Transfer of rights to use lead-in ducts and revenues for the rental of vertical segments, IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, Microsoft licenses, application outsourcing services, cloud services, maintenance services, electricity supply services.
Vivendi group	1	1	Circuit rental services and feasibility study for routing and submarine cable interface solutions in America to the Vivendi Group.
Total revenues	**154**	**31**	
Other income		11	Reimbursement by a CDP Group company due to Telenergia following the judgment of the Council of State no. 5625-2021s, published on 7/30/2021.
Acquisition of goods and services			
Cassa Depositi e Prestiti Group	77	31	Supply of cloud enabling services for the award of cloud computing services, security, the development of on-line services and portals and applicative cooperation for the Public Administrations, Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the former Metroweb network of Milan and Genoa (primary network portion) and purchase of electricity
Havas Group	139	107	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	5	4	Purchase of musical and television digital content (TIMmusic, TIMvision), operative management of the Telecom Italia S.p.A. on-line store platform “TIM I Love Games” and related developments.
Total acquisition of goods and services	**221**	**142**	
Depreciation and amortization	**4**		IRUs acquired by FiberCop to Cassa Depositi e Prestiti
Finance income		**1**	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2022	12/31/2021	TYPE OF CONTRACT
Net financial debt			
Non-current financial assets	**(1)**		Non-current financial receivables arising from lease contracts for Cassa Depositi e Prestiti.
Current financial assets	**(11)**	**1**	Current financial receivables arising from lease contracts (portion not collected IRU lead-in ducts) for Cassa Depositi e Prestiti
Non-current financial liabilities	**10**		Lease contract renewal (former Metroweb) for Cassa Depositi e Prestiti
Current financial liabilities	**13**		Payable for purchase in IRU infrastructures, contract former Metroweb for Cassa Depositi e Prestiti
Other statement of financial position line items			
Rights of use assets	**38**	**2**	Supply and installation of vertical segments and infrastructure for Cassa Depositi e Prestiti
Trade and miscellaneous receivables and other current assets			
Cassa Depositi e Prestiti Group	55	43	IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, Microsoft licenses, application outsourcing services, cloud services, maintenance services and electricity supply.
Havas Group	—	13	Prepaid expenses related to costs for advertising services.
Total trade and miscellaneous receivables and other current assets	**55**	**56**	
Miscellaneous payables and other non-current liabilities			
Cassa Depositi e Prestiti Group	19	23	Deferred subscription charges revenues.
Vivendi group	2	2	Deferred income for IRU sale.
Total miscellaneous payables and other non-current liabilities	**21**	**25**	
Trade and miscellaneous payables and other current liabilities			
Cassa Depositi e Prestiti Group	47	21	Supply of cloud enabling services for the award of cloud computing services, security, the development of on-line services and portals and applicative cooperation for the Public Administrations, Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the former Metroweb network of Milan and Genoa (primary network portion) and purchase of electricity.
Havas Group	42	37	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	2	2	Purchase of musical and television digital content (TIMmusic, TIMvision), operative management of the Telecom Italia S.p.A. on-line store platform “TIM I Love Games” and related developments.
Total trade and miscellaneous payables and other current liabilities	**91**	**60**	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2022	2021	TYPE OF CONTRACT
Purchase of intangible, tangible and rights of use assets on an accrual basis			
Cassa Depositi e Prestiti Group	28	-	Concession of the installation of sheaths for telecommunication cables along the motorway segments (occupation of soil and movement of cables), use and maintenance of the former Metroweb network of Milan and Genoa (primary network portion).
Vivendi group	1	16	Development of the discovery phase and MYCanal+ platform supply for the TimVision Service.
Total purchase of intangible, tangible and rights of use assets on an accrual basis	**29**	**16**	
Dividends paid			
Cassa Depositi e Prestiti Group	—	15	Dividends paid.
Vivendi group	—	36	Dividends paid.
Total Dividends paid	**—**	**51**	

Transactions with pension funds

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2022	2021	TYPE OF CONTRACT
Employee benefits expenses			Contributions to pension funds.
Fontedir	9	9	
Telemaco	64	61	
Other pension funds	3	4	
Total employee benefits expenses	**76**	**74**	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2022	12/31/2021	TYPE OF CONTRACT
Trade and miscellaneous payables and other current liabilities			Payables for contributions to pension funds.
Fontedir	3	3	
Telemaco	20	20	
Other pension funds	1		
Total trade and miscellaneous payables and other current liabilities	**24**	**23**	

Remuneration to key managers

In 2022, the total remuneration recorded on an accrual basis by TIM or by Group subsidiaries in respect of key managers amounted to 24 million euros (34 million euros for 2021)

(million euros)	2022	2021
Short-term remuneration	14 (1)	9 (4)
Long-term remuneration	1	
Employment termination benefit incentives	5 (2)	18
Share-based payments (*)	4 (3)	7 (5)
Total	**24**	**34**

(*) These refer to the fair value of the rights, accrued to December 31, under the share-based incentive plans of TIM S.p.A. and its subsidiaries (Long Term Incentive and Plans of the subsidiaries).

(1) of which 1.2 million euros recorded by the subsidiaries;
(2) of which 0.1 million euros recorded by the subsidiaries:
(3) of which 2.8 million euros recorded by the subsidiaries:
(4) of which 1.2 million euros recorded by the subsidiaries:
(5) of which 1.0 million euros recorded by the subsidiaries:

Short-term remuneration is paid during the reference year, and, at the latest, within the six months following the end of that period.

In 2022, the contributions paid in to defined contribution plans (Assida and Fontedir) by TIM S.p.A. or by subsidiaries of the Group on behalf of key managers, amounted to 212 thousand euros (140 thousand euros at December 31, 2021).

In 2022, "Key managers", i.e. those who have the power and responsibility, directly or indirectly, for the planning, direction and control of the operations of the TIM Group, including directors, were the following:

Directors:		
Pietro Labriola		Managing Director and Chief Executive Officer of TIM S.p.A.
		General Manager of TIM S.p.A.
	(1)	Diretor Presidente TIM S.A.
Managers:		
Alberto Maria Griselli	(2)	Diretor Presidente TIM S.A.
Giovanna Bellezza	(3)	a.i. Head of Human Resources, Organization & Real Estate
Adrian Calaza Noia	(4)	Chief Financial Office
Paolo Chiriotti	(5)	Chief Human Resources, Organization, Real Estate & Transformation Office
	(6)	Chief Human Resources, Organization & Real Estate Office
	(7)	Chief Human Resources & Organization Office
Simone De Rose		Head of Procurement
Stefano Grassi	(8)	Head of Security
Massimo Mancini		Chief Enterprise Market Office
Giovanni Gionata Massimiliano Moglia		Chief Regulatory Affairs Office
Agostino Nuzzolo		Head of Legal & Tax
Claudio Giovanni Ezio Ongaro		Chief Strategy & Business Development Office
Elisabetta Romano	(9)	Chief Network, Operations & Wholesale Office
	(10)	Chief Executive Officer of TI Sparkle
Giovanni Ronca	(11)	Chief Financial Office
Andrea Rossini	(12)	Chief Consumer, Small & Medium Market Office
Eugenio Santagata	(13)	Chief Public Affairs & Security Office
		Chief Executive Officer of Telsy
Elio Schiavo	(14)	Chief Enterprise and Innovative Solutions Office
Stefano Siragusa	(15)	Chief Executive Officer of Noovle
	(16)	Chief Network, Operations & Wholesale Office

(1) To January 31, 2022
(2) From February 1, 2022
(3) To March 29, 2022
(4) From March 1, 2022
(5) From March 30, 2022 to August 2, 2022
(6) From August 3, 2022 to October 16, 2022
(7) From October 17, 2022
(8) To April 8, 2022
(9) From August 3, 2022
(10) From August 3 to November 16, 2022
(11) To February 28, 2022
(12) From February 21, 2022
(13) From April 9, 2022
(14) From May 16, 2022
(15) From November 29, 2022
(16) To August 2, 2022

NOTE 41
EQUITY COMPENSATION PLANS

Equity compensation plans in force at December 31, 2022, are used for attraction and retention purposes, and as a long-term incentive for the managers and employees of the Group.

However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at December 31, 2022.

A summary is provided below of the plans in place at December 31, 2022.

Description of stock option plans

TIM S.p.A. 2022-2024 Stock Option Plan

The Shareholders' Meeting held on April 7, 2022, approved the one-shot 2022-2024 Stock Option Plan. The Plan aims to encourage Beneficiaries to create value for the Company's shareholders, aligning management's interests with the interests of TIM shareholders in terms of achieving the qualified objectives of the Industrial Plan and growth in the value of the Share in the medium-term. The Plan intends to also assure the possibility of attracting new managers from the outside, as the Industrial Plan is implemented.

The 2022-2024 Stock Options Plan is intended for the CEO, Top Management and a select number of managers of the TIM Group who hold key roles in terms of achieving the Strategic Plan objectives. Addressees are, in addition to the CEO, broken down into three pay opportunity brackets according to the contribution and impact of the role held on the company's strategic objectives; for each bracket, the number of option rights attributed at target, is determined.

The Plan has a strike price of 0.4240 euros, a three-year vesting period (1/1/2022-12/31/2024) and a two-year exercise period (from approval of the 2024 financial statements and through to the next two years).

The following performance conditions are also envisaged for the three-year period 2022-2024:

- Cumulative (reported) Economic-financial indicator (EBITDA-CAPEX) with a weight of 70%
- ESG indicators with a total weight of 30%, structured into:
  - percentage of women in positions of responsibility (15%)
  - percentage of consumption of renewable energies (15%).

The level of achievement of the indicators determines the accrual of option rights over an interval that ranges from -10% to + 10% with respect to the target number allocated per bracket.

A cap is also envisaged that is commensurate to the maximum economic benefit, calculated by applying a normal value of the share at the moment of assessment of the performance conditions (2024 financial statements), assumed as 1.5 euros, to the number of option rights assigned at target. The cap is applied when the option rights accrue and impacts the number of option rights that can be assigned.

The clawback clause also applies to all addressees of this plan, up to the point of exercise of the option rights.

At December 31, 2022, there were a total of 131 addressees and the number of options assigned at target is 206,210,000.

For more details, see the information document on the initiative available for consultation at the link Information Document on the 2022-2024 Stock Options Plan (https://www.gruppotim.it/content/dam/gt/investitori/doc---avvisi/anno-2022/ita/Doc-informativo-Piano-stock-option-22-24.pdf).

TIM S.A. Stock Option Plans

On April 10, 2014, the General Meeting of Shareholders of TIM Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company and its subsidiaries. Exercise of the options is not subject to the achievement of specific performance targets, but the strike price is adjusted upwards or downwards during each year for which the plan is in force, according to the ranking of the Total Shareholder Return of the TIM S.A. shares with respect to a panel of peers (made up of companies in the Telecommunications, Information Technology and Media industry).

The vesting period is 3 years (a third per year), the options can be exercised for 6 years, and the company does not have the legal obligation to repurchase or liquidate the options in cash, or in any other form.

Year 2014

On September 29, 2014, the grantees of the options were granted the right to purchase a total of 1,687,686 shares. At December 31, 2022, there are no options that can be exercised. Out of the total attributed, 1,558,043 options have been canceled (due to the participants leaving the company or for expiry of the exercise period), and 129,643 options have been exercised.

Year 2015

On October 16, 2015, the grantees of the options were granted the right to purchase a total of 3,355,229 shares. As of December 31, 2022, 100% of the options were considered as vested, and there are no options that can be exercised. Of the total options granted, 1,646,080 were canceled by participants leaving the company. All of the remaining balance (amounting to 1,709,149 options) has been exercised.

Year 2016

On November 8, 2016, the grantees of the options were granted the right to purchase a total of 3,922,204 shares. At December 31, 2022, 100% of the options were considered as vested. Of the total options granted, 1,727,424 were canceled by participants leaving the company. All of the remaining balance (amounting to 2,194,780 options) has been exercised.

Description of other compensation plans

TIM S.p.A. - Long Term Incentive Plan 2020-2022

The Shareholders' Meeting of April 23, 2020 approved the launch of the rolling and equity based long-term incentive plan called LTI 2020-2022.

The Plan envisaged three incentive cycles, connected with the performance three-year periods 2020-2022, 2021-2023, 2022-2024; over time, two of the three incentive cycles have been launched: 2020-2022, 2021-2023.

Each cycle of the plan is divided into two parties:

- **Performance Share**: free allocation of Company ordinary shares, the maturity of which is subject to an access gate and two performance conditions, given below.
- **Attraction/Retention Share**: free allocation of Company ordinary shares, the maturity of which is subject to the continuity of the employment relationship with TIM or TIM Group companies.

In relation to the Performance Share component, the performance conditions are as follows:

- access gate, represented by the value of the security, which at the end of each cycle must be equal to or greater than the value of the security at the start of the same cycle (refer to the normal value of the share equal to the average of the official closing prices of the Stock Exchange 30 days prior to the start and end of the Plan cycle);
- NFP/EBITDA ratio, with relative weighting equal to 40%;
- Relative performance (TSR) of the ordinary share compared to a basket of Peers, with a relative weighting of 60%.

A payout bonus/malus mechanism equal to 4% is applied to both components (Performance Share and Attraction/Retention Share), linked, in equal measure,

- to the percentage growth of use of renewable energy out of total energy and to the reduction of indirect emissions of CO_2 (2020-2022 cycle);
- to the percentage growth of use of renewable energy out of total energy and the increase in the female presence in the managerial population (2021-2023 cycle).

Target recipients are the Chief Executive Officer, the Top Management and a selected segment of TIM Group management.

For the CEO, 100% of the Pay Opportunity is linked to the Performance Share component. For the remaining recipient managers, 70% of the Pay Opportunity is linked to the Performance Share and the remaining 30% to the Attraction/Retention Shares.

On April 7, 2022, the Shareholders' Meeting approved, after acknowledging the changes in scenario, the obsolescence of the 2020-22 Long Term Incentive Plan and replaced the third cycle of this plan with the new 2022-2024 Stock Options Plan described previously.

2020-2022 Cycle

The final results of the performance indicators tied to this cycle will be submitted for approval by the TIM S.p.A. Board of Directors on March 15, 2023.

Valuation at December 31, 2022 of the gate to accessing maturity of the performance shares is below the value of the share at the Plan start-up: failure to satisfy the Gate condition determines the forfeiture of 37,201,463 performance shares at target and the maintenance - for the 102 recipients continuing their employment with TIM or Group subsidiaries at December 31, 2022 - of the right to receive a total of 10,879,774 shares (attraction/retention shares), considering the application of the ESG correction factor to the comprehensive payout in the amount of + 4%.

2021-2023 Cycle

At December 31, 2022, the cycle provides for the 144 recipients to be entitled to receive an award of 42,104,350 shares upon achievement of the target, subject to:

- the gate condition and application of the ESG correction for performance shares;
- application of the ESG correction and continuity of the contract of employment for attraction/retention shares.

TIM S.A. - Long Term Incentive Plan 2018-2020

On April 19, 2018, the General Meeting of Shareholders of TIM Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company. The plan aimed to reward participants with shares issued by the company, subject to specific temporal and performance conditions. The portion of shares linked to performance (70%) is granted 1/3 each year, if the performance target is achieved; the remaining portion of shares (30%) is granted 3 years after allocation (restricted share).

The vesting period is 3 years (with annual measurement) and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form.

The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2018

On April 20, 2018, plan beneficiaries were granted the right to receive a total of 849,932 shares, of which 594,954 performance shares restricted to performance conditions and with gradual vesting over 3 years and 254,978 restricted shares, with a vesting period of 3 years.

At December 31, 2022, 100% of the rights assigned were considered as vested.

Year 2019

On July 30, 2019, plan beneficiaries were granted the right to receive a total of 930,662 shares, of which 651,462 performance shares restricted to performance conditions and with gradual vesting over 3 years and 279,200 restricted shares, with a total vesting period of 3 years.

Three vesting periods ended on December 31, 2022:

- **In 2020,** in compliance with the results approved on July 29, 2020, 309,557 shares were transferred to beneficiaries, of which 209,349 relating to the original volume accrued, 83,672 granted according to the degree to which objectives had been achieved and 16,536 shares as a result of the dividends distributed during the period.
- **In 2021,** in compliance with the results approved on July 26, 2021, 309,222 shares were transferred to beneficiaries, of which 207,859 relating to the original volume accrued, 78,111 discounted according to the degree to which objectives had been achieved and 23,252 shares for dividends distributed during the period.
- **In 2022,** in compliance with the results approved on April 26, 2022, 618,495 shares were transferred to beneficiaries, of which 419,188 relating to the original volume accrued, 137,064 discounted according to the degree to which objectives had been achieved and 62,243 shares for dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 11,574 shares (7,842 relating to the original volume accrued, 2,537 acknowledged according to the degree to which the objectives had been achieved and 1,195 due to dividends distributed during the period).

At December 31, 2022, of the original volume assigned of 930,662 shares, 86,424 had been canceled due to the beneficiaries having left the company and 1,237,274 shares had been transferred to beneficiaries (836,396 relating to the original volume accrued, 298,847 from performance achieved and 102,031 for payment of dividends in shares) and 11,574 shares had been valued and paid in cash (7,842 relating to the original volume accrued, 2,537 from performance achieved and 1,195 for payment of dividends in shares), thereby completing the 2019 concession.

Year 2020

On April 14, 2020, plan beneficiaries were granted the right to receive a total of 796,054 shares, of which 619,751 performance shares restricted to performance conditions and with gradual vesting over 3 years and 176,303 restricted shares, with a total vesting period of 3 years.

Two vesting periods ended on December 31, 2022:

- **In 2021,** in compliance with the results approved on May 5, 2021, 267,145 shares were transferred to beneficiaries, of which 206,578 relating to the original volume accrued, 51,634 granted according to the degree to which objectives had been achieved and 8,933 shares as a result of the dividends distributed during the period.
- **In 2022,** in compliance with the results approved on April 26, 2022, in July 337,937 shares were transferred to beneficiaries, of which 252,024 relating to the original volume accrued, 63,029 granted according to the degree to which objectives had been achieved and 22,884 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in June of the amount corresponding to 3,478 shares (2,593 relating to the original volume accrued, 649 acknowledged according to the degree to which the objectives had been achieved and 236 due to dividends distributed during the period).

At December 31, 2022, of the original volume assigned of 796,054 shares, 74,019 had been canceled due to the beneficiaries having left the company and 270,623 shares had been transferred to beneficiaries (209,171 related to the original volume vested, 52,283 recognized on the basis of performance achieved and 9,169 for effect of dividends distributed during the period). In July, 337,937 shares will be transferred to beneficiaries, of which 252,024 relating to the original volume accrued, 63,029 granted according to the degree to which the objectives had been achieved and 22,884 shares as a result of dividends distributed during the period, thereby leaving a balance of 264,481 shares that could be accrued at period end.

TIM S.A. - Long Term Incentive Plan 2021-2023

On March 30, 2021, the General Meeting of Shareholders of TIM S.A. approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, according to specific time (restricted shares) and performance (performance shares) conditions. The vesting period is 3 years and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2021

On May 5, 2021, plan beneficiaries were granted the right to receive a total of 3,431,610 shares, of which 3,173,142 performance shares restricted to performance conditions and with gradual vesting over 3 years and 258,468 restricted shares, with a vesting period of 3 years.

In 2021, the Special Grant was added to the traditional plan, a further extraordinary concession with the aim of encouraging the closure of the Oi purchase operation in Brazil as well as the success of the subsequent integration operations.

Of the total 3,431,610 shares granted, 1,151,285 relate to the traditional grant (with 892,817 performance shares and 258,468 restricted shares) and 2,280,325 refer to the Special Grant.

On December 31, 2022 the first vesting period ended:

- **In 2022,** in compliance with the results approved on April 26, 2022, in July 572,608 shares were transferred to beneficiaries, of which 463,608 relating to the original volume accrued, 87,605 granted according to the degree to which objectives had been achieved and 21,395 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group companies, as per the Plan rules, payment in cash was considered in June of the amount corresponding to 3,486 shares (2,883 relating to the original volume accrued, 473 acknowledged according to the degree to which the objectives had been achieved and 130 due to dividends distributed during the period).
- ***Special Grant***: in compliance with the results approved on April 26, 2022, 601,936 shares were transferred to beneficiaries in July, of which 579,451 relating to the original volume accrued and 22,485 shares as a result of the dividends distributed during the period.

At December 31, 2022, of the total assigned of 3,431,610 shares, 361,515 had been canceled due to the beneficiaries having left the company and 3,486 shares had been transferred to beneficiaries through payment in cash, given the results of the first vesting period of the performance shares. In July, 1,174,544 shares will be transferred to beneficiaries, of which 1,043,059 relating to the original volume accrued, 87,605 granted according to the degree to which the objectives had been achieved and 43,880 shares as a result of dividends distributed during the period, thereby leaving a balance of 2,073,792 shares that could be accrued at period end.

TIM S.A. - Long Term Incentive Plan 2022-2024

On April 26, 2022, the General Meeting of Shareholders of TIM S.A. approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, according to specific time (restricted shares) and performance (performance shares) conditions. The vesting period is 3 years and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2022

On April 26, 2022, plan beneficiaries were granted the right to receive a total of 1,227,712 shares, of which 927,428 performance shares restricted to performance conditions and with gradual vesting over 3 years and 300,284 restricted shares, with a vesting period of 3 years.

At December 31, 2022, the first vesting period had not yet concluded and 44,565 shares had been canceled due to beneficiaries leaving the Company.

Calculation of fair value measurement of the granted options and rights

Parameters used to determine the fair value – TIM S.p.A.

Plans/Parameters	Exercise price (euros)	Nominal value (euros) (1)	Volatility (2)	Duration	Expected dividends (euros) (3)	Risk-free interest rate (4)
2020-2022 LTI Plan – First Cycle (2020-22)	—	0.35	n.a.	3 years	0.01	-0.714% at 3 years
2020-2022 LTI Plan – Second Cycle (2021-23)	—	0.42	n.a.	3 years	0.01	-0.720% at 3 years
SOP 2022-2024	0.424	—	34.6%	3 years	0.02	0.479% at 3 years

(1) Arithmetic mean of the official prices of the Shares recognized starting from the stock market trading day prior to that of assignment until the thirtieth previous ordinary calendar day (both included) on the Electronic Stock Exchange organized and managed by Borsa Italiana S.p.A., calculated using only the days to which the prices taken as the basis of calculation refer as the divisor, cut off at the second decimal.
(2) Based on the performance objectives of the plan, the TIM share volatility values were considered and, if necessary, also those of the securities of the major companies of the telecommunications sector ("peer basket").
(3) Dividends have been estimated on the basis of Bloomberg data.
(4) The risk-free interest rate refers to the rate of government bonds of the Federal Republic of Germany (market benchmark for transactions in euros) on the valuation date with a maturity consistent with the reporting period.

Parameters used for the assignments of TIM S.A.

Plans/Parameters	Share base price (reais)	Nominal value (reais)	Volatility	Duration	Expected dividends (reais)	Risk-free interest rate
Stock option plan 2014	13.42	n.a.	44.60%	6 years	-	10.66% per annum
Stock option plan 2015	8.45	n.a.	35.50%	6 years	-	16.10% per annum
Stock option plan 2016	8.10	n.a.	36.70%	6 years	-	11.73% per annum
2018 PS/RS Plan	n.a.	14.41	n.a.	3 years	n.a.	n.a.
2019 PS/RS Plan	n.a.	11.28	n.a.	3 years	n.a.	n.a.
2020 PS/RS Plan	n.a.	14.40	n.a.	3 years	n.a.	n.a.
2021 PS/RS Plan	n.a.	12.95	n.a.	3 years	n.a.	n.a.
2022 PS/RS Plan	n.a.	13.23	n.a.	3 years	n.a.	n.a.

The parameters are characteristic of a stock option plan, considering the use of fair value appropriate only for Stock Option Plans.

Effects on the income statement and statement of financial position

Equity compensation plans which call for payment in equity instruments are recorded at fair value (except for the 2018 Plan of TIM S.A.) which represents the cost of such instruments at the grant date and is recorded in the separate income statements under "Employee benefits expenses" over the period between the grant date and the vesting period with a contra-entry to the equity reserve ("Other equity instruments"). For the portion of the plans that provide for the payment of compensation in cash, the amount is recognized in liabilities as a contra-entry to "Employee benefits expenses". Equity compensation plans which call for payment in equity instruments did not have significant impacts either on the income statements or the statements of financial position or of cash flows of the TIM Group at December 31, 2022.

NOTE 42

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of 2022 non-recurring events and transactions on the equity, profit, net financial debt and cash flows of the TIM Group is set out below in accordance with Consob Communication DEM/6064293 of July 28, 2006. The non-recurring effects on Equity and Profit (loss) for the year are shown net of tax effects.

(million euros)		Equity	Profit (loss) for the year	Net financial debt carrying amount	Cash flows (*)
Carrying amount	**(a)**	**18,725**	**(2,654)**	**25,370**	**(3,309)**
Other income		23	23	6	(6)
Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects and other costs		(49)	(49)	49	(49)
Employee benefits expenses - Charges connected to corporate reorganization/restructuring and other costs		(563)	(563)	438	(438)
Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with customers and/or suppliers for other provisions and charges		(77)	(77)	453	(453)
Other income (expenses) from investments		204	204	(1,317)	1,317
Other finance expenses		(11)	(11)	—	—
Tax realignment pursuant to Decree Law 104/2020 Art. 110		(1,964)	(1,964)		—
Total non-recurring effects	**(b)**	**(2,437)**	**(2,437)**	**(371)**	**371**
Income/(Expenses) relating to Discontinued operations	**(c)**	**—**	**—**	**—**	**—**
Figurative amount – financial statements	**(a–b-c)**	**21,162**	**(217)**	**25,741**	**(3,680)**

(*) Cash flows refer to the increase (decrease) in Cash and cash equivalents during the year.

Flows relating to “Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with

customers and/or suppliers and other provisions and charges" include the effects connected with use of the Contractual risk provisions for onerous contracts (IAS 37).

More specifically, in 2021, the net present value of the negative margin relating to contracts with certain counterparties for multimedia contents offers, including those between TIM and DAZN, was set aside.

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

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

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

During 2022, TIM S.p.A. also recorded a provision of 41 million euros for onerous contracts relating to a multi-year agreement stipulated in 2021 which committed the Company to minimum purchases and the total estimated cost of which for the residual duration of the agreement became apparent in 2022.

The Provision for contractual risks for onerous contracts at December 31, 2022 came to 247 million euros.

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

(million euros)	2022	2021
Revenues:		
Revenue adjustments	—	(5)
Other income:		
Recovery of operating expenses	23	13
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(56)	(49)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(572)	(367)
Other operating expenses:		
Other expenses and provisions	(77)	(735)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(682)**	**(1,143)**
Goodwill impairment loss Domestic CGU	—	(4,120)
Impact on Operating profit (loss) (EBIT)	**(682)**	**(5,263)**
Other income (expenses) from investments:		
Net capital gain on corporate transactions	203	119
Finance income:		
Other finance income	—	1
Finance expenses:		
Other finance expenses	(11)	(1)
Impact on profit (loss) before tax from continuing operations	**(490)**	**(5,144)**
Tax realignment pursuant to Decree Law 104/2020 Art. 110	(1,964)	(3,785)
Income tax expense on non-recurring items	17	276
Impact on Profit (loss) for the year	**(2,437)**	**(8,653)**

Further details on the tax realignment pursuant to Decree Law 104/2020 are provided in the Note "Income tax expense (current and deferred)".

NOTE 43

POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with Consob Communication DEM/6064293 of July 28, 2006, a statement is made to the effect that in 2022 the TIM Group did not pursue any atypical and/or unusual transactions, as defined by that Communication.

NOTE 44
OTHER INFORMATION

a) Exchange rates used to translate the financial statements of foreign operations(*)

(local currency against 1 euro)		Year-end exchange rates (statements of financial position)		Average exchange rates for the year (income statements and statements of cash flows)	
		12/31/2022	12/31/2021	2022	2021
Europe					
BGN	Bulgarian Lev	1.95580	1.95580	1.95580	1.95580
CZK	Czech koruna	24.11600	24.85800	24.56358	25.64620
CHF	Swiss franc	0.98470	1.03310	1.00475	1.08136
TRY	Turkish lira	19.96490	15.23350	17.40879	10.49995
GBP	Pound sterling	0.88693	0.84028	0.85268	0.85970
RON	Romanian leu	4.94950	4.94900	4.93133	4.92118
RUB	Russian ruble	77.95160	85.30040	73.30944	87.18796
North America					
USD	U.S. dollar	1.06660	1.13260	1.05335	1.18285
Latin America					
VES (**)	Venezuelan bolivar – Soberano	18.04390	5.19230	6.87673	2,489,106.60692
BOB	Bolivian Bolíviano	7.38750	7.83860	7.25140	8.16146
PEN	Peruvian nuevo sol	4.08040	4.55660	4.03697	4.58967
ARS	Argentine peso	189.69730	116.53860	137.13626	112.44200
CLP	Chilean peso	909.36000	969.83000	917.46919	898.33180
COP	Colombian peso	5,194.90000	4,628.12000	4,474.96042	4,430.02835
BRL	Brazilian real	5.56520	6.32047	5.43993	6.35936
Other countries					
ILS	Israeli shekel	3.75540	3.51590	3.53485	3.82197
NGN	Nigerian Naira	493.65090	483.26890	449.06170	482.17941

(*) Source: Data processed by the European Central Bank, Reuters and major Central Banks.
(**) On October 1, 2021, a new monetary scale took effect, entailing the elimination of six zeros in relation to the previous one (1,000,000Bs = 1Bs).

b) Research and development

Costs for research and development activities are represented by external costs, dedicated employee benefits expenses and depreciation and amortization. Details are as follows:

(million euros)	2022	2021
Research and development costs expensed during the year	49	56
Capitalized development costs	906	1,016
Total research and development costs (expensed and capitalized)	**955**	**1,072**

The decrease recorded in the 2022 financial year is due to the stabilization of implementation activities connected with the new generation networks.

In the 2022 Separate Consolidated Income Statement, a total of 877 million euros of amortization expense was recorded for development costs, capitalized during the year and in prior years.

Research and development activities carried out by the TIM Group are described in detail in the Report on Operations ("Research and Development" section).

c) Leasing income

The TIM Group has entered into lease contracts on land and buildings for office and industrial use, mobile network infrastructure sites and network infrastructure; at December 31, 2022 and at December 31, 2021 the lease installments at nominal value still to be collected totaled:

(million euros)	12/31/2022	12/31/2021
Within next year	91	100
From 1 to 2 years after the end of the reporting period	39	36
From 2 to 3 years after the end of the reporting period	38	34
From 3 to 4 years after the end of the reporting period	34	34
From 4 to 5 years after the end of the reporting period	33	30
Beyond 5 years after the end of the reporting period	30	29
Total	**265**	**263**

d) Public funds

Italian Law 124/2017 requires that information on subsidies, contributions, paid assignments and economic benefits of any kind received from Italian public administrations be provided. In this regard, the following table shows the disbursements collected by the TIM Group in the years 2022 and 2021:

Distributing entity	Area of intervention	Received in 2022 (million euros)	Received in 2021 (million euros)
Fondimpresa/Fondirigenti	training	3	
Infratel	construction of Broadband and Ultrabroadband infrastructure	3	3
Ministry of Enterprises and Made in Italy (formerly the Ministry of Economic Development)	research and innovation	3	
ANPAL	training	—	54
Other		1	1
Total(*)		**10**	**58**

(*) 2022 - includes 0.7 million euros in returns

e) Directors' and statutory auditors' remuneration

Total remuneration due for 2022 to the directors and statutory auditors of TIM S.p.A. for the performance of these functions at the Parent and in other consolidated companies totaled 4.973 million euros for directors and 0.575 million euros for statutory auditors. In reference to the compensation to which the Directors are entitled, it should be noted that the amount was calculated by considering only compensation for corporate offices (in primis those under Article 2389, subsections 1 and 3 of the Italian Civil Code), thus excluding amounts relating to any employment relationship with the companies of the Group and any non-monetary fringe benefits; for a complete and detailed description of the compensation paid to the directors, reference should be made to the Compensation Report, available at the Company's headquarters and on the corporate website at the following address: gruppotim.it/assemblea.

f) Summary schedule of fees due to the audit firm and other firms in its network

The following schedule reports the fees due to EY S.p.A. and to the other firms in the EY network for the audit of the 2022 financial statements, and the fees referring to 2022 for other audit and review services, and for other services besides audit rendered to the companies of the TIM Group from EY S.p.A. and other firms in the EY network. The out-of-pocket expenses incurred for these services in 2022 are also shown.

(euros)	EY S.p.A.			Other entities of the EY network			
	TIM S.p.A.	Subsidiaries	TIM Group	TIM S.p.A.	Subsidiaries	TIM Group	Total EY network
Audit services	2,751,643	2,214,676	4,966,319	—	2,220,863	2,220,863	7,187,182
Audit services with the issue of certification	64,000	27,000	91,000	—	32,000	32,000	123,000
Certification of compliance of the Consolidated Non-Financial Statement	78,025	—	78,025	—	50,543	50,543	128,568
Other services	65,000	—	65,000	—	—	—	65,000
Total 2022 fees due for auditing and other services to the EY network	**2,958,668**	**2,241,676**	**5,200,344**	**—**	**2,303,406**	**2,303,406**	**7,503,750**
Out-of-pocket expenses	27,765	17,760	45,525	—	84,929	84,929	130,454
Total	**2,986,433**	**2,259,436**	**5,245,869**	**—**	**2,388,335**	**2,388,335**	**7,634,204**

NOTE 45
EVENTS SUBSEQUENT TO DECEMBER 31, 2022

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

Following approval by the Board of Directors on January 18, 2023 and after completion of bookbuilding, TIM S.p.A. has successfully placed an 850-million euro fixed-rate unsecured bond offered to institutional investors.

The proceeds from the new issue will be used to optimize and refinance the maturities of existing debt.

The details are shown below:

Issuer: TIM S.p.A.

Amount: 850 million euros

Settlement date: January 27, 2023

Maturity: February 15, 2028

Coupon: 6.875%

Issue price: 100.0%

Redemption price: 100.0%

The bond regulation sets out various commitments typical of these types of transactions for the issuer, including the limit of granting guarantees over its assets or implementing extraordinary corporate transactions, except where certain covenants are met.

The bond was listed on the Luxembourg stock exchange Euro MTF market. The ratings agencies Moody's, S&P and Fitch have attributed a rating to the bond respectively of B1, B+ and BB-.

TIM: non-binding offers for the purchase of Netco

On February 2, 2023, TIM reported having received from Kohlberg Kravis Roberts & Co. L.P. ("KKR") a non-binding offer ("KKR NBO") for the purchase of a stake in a newco being established, coinciding with the managerial and infrastructural scope of the fixed network, including the assets and business of FiberCop, as well as the holding in Sparkle (the "Netco"). The non-binding offer refers to a share to be defined, without prejudice to the fact that the purchase would result in the loss of vertical integration with respect to TIM. The TIM Board of Directors - which met on February 2, 2023 to start the process relating to the examination of the non-binding offer - decided to meet again on February 24, 2023 to resolve on the non-binding offer received from KKR for NetCo, also notifying its willingness to assess any alternatives as may become concrete in the meantime and continue talking to its stakeholders.

In connection with the press news regarding the non-binding offer on TIM's fixed infrastructure presented by KKR, on the request of Consob, the Company has clarified that unless otherwise agreed by the parties, the offer shall last for 4 weeks from the date on which it was submitted (February 1) and the Board of Directors would be meeting in the meantime to discuss the offer and make the relevant decisions.

As is standard practice for transactions of this type, the non-binding offer is only approximate and is subject to analyses, investigations and assessments to be carried out in the meantime, also discussing this with KKR. On the other hand, and as already reported, TIM is ready to consider alternative options.

Thereafter, on February 21, 2023, TIM reported having received a letter from KKR extending the deadline of this offer to March 24, 2023. More specifically, as indicated in the letter, the extension of the deadline is due to a request made by the government to have another four weeks within which to carry out a joint analysis of the publishing aspects of the transaction, concerning the powers that can be exercised by the government in the sector. KKR has, however, confirmed that is willing to continue a constructive dialog with TIM and proceed with due diligence.

On February 24, 2023, TIM S.p.A.'s Board of Directors examined the contents of the KKR NBO and the letter of extension received on February 21, 2023, also with the help of the analyses and investigations carried out by the management with the support of the advisors. In light of the information received, the Board has much appreciated the interest expressed in said NBO, despite considering that it does not fully reflect the value of the asset and TIM's expectations, also in terms of the sustainability of the company resulting from the operation considered therein. Therefore, in order to foster the alignment of the conditions of the operation proposed with respect to the strategic context relevant to TIM, the Board has resolved to make certain specific information available to KKR - on a non-exclusive basis - and to request the additional indications necessary to fully understand the topics and economics of the proposal. The above is with the aim of receiving an improved offer following such exchanges of information, by the deadline of March 31, 2023.

On March 5, 2023, TIM reported having received from a consortium consisting of CdP Equity S.p.A. (CDPE) and Macquarie Infrastructure and Real Assets (Europe) Limited, acting on behalf of a group of investment funds managed or assisted by the Macquarie Group (the "Consortium"), a non-binding offer (the "Consortium NBO") for the purchase of 100% of a company being established, substantially responsible for the managerial and infrastructural scope of the fixed network, including the assets and business of FiberCop and the investment in Sparkle (the "Netco").

The Board examined the contents of the Consortium NBO, also through analyses and investigations by the management and with the support of the advisors.

In light of the information received, the Board much appreciated the interest expressed in such Consortium NBO, despite considering that - just like the KKR NBO - it did not reflect the value of the asset and TIM's expectations. Therefore, in compliance with what had happened in the context of the KKR NBO, in order to foster the alignment of the conditions of the operation proposed with respect to the strategic context relevant to TIM, the Board has resolved to make certain specific information available to the Consortium - on a non-exclusive basis - and to request the additional indications necessary to fully understand the topics and economics of the Consortium NBO.

In addition, in order to allow both the Consortium and KKR to submit their best offers in a defined competitive process, it appointed the Chief Executive Officer, Pietro Labriola, to start a regulated process, sending both offerers, through their advisors, a process letter setting out:

- the terms that would give them access to additional, specific information, identical for both offerers;
- the ways by which each could submit a better non-binding offer by April 18, 2023.

The Board also resolved to assign the Related Parties Committee the task of carrying out due investigations in respect of both offers.

Agreement with the trade unions pursuant to Art. 4 of Law 92/2012

On March 21, 2023, TIM S.p.A. and the Trade Unions signed an agreement pursuant to Art. 4 of Italian Law no. 92/2012. The agreement involves an incentive to take redundancy for up to 2,000 people and is valid until November 30, 2023.

NOTE 46
LIST OF COMPANIES OF THE TIM GROUP

In accordance with Consob Communication DEM/6064293 dated July 28, 2006, the list of companies is provided herein.

The list is divided by type of investment, consolidation method and operating segment.

The following is indicated for each company: name, head office, country and share capital in the original currency. In addition to the percentage ownership of share capital, the percentage of voting rights in the ordinary shareholders' meeting, if different from the percentage holding of share capital, and which companies hold the investment.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
PARENT COMPANY						
TIM S.p.A.	MILAN	EUR	11,677,002,855			
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
DOMESTIC BU						
CD FIBER S.r.l. (design, construction, maintenance and management of network infrastructure services and high-speed electronic communication systems)	ROME	EUR	50,000	100.0000		TIM S.p.A.
FIBERCOP S.p.A. (infrastructures, networks, passive cabled access services to the premises of end users to be offered to TLC operators throughout Italy)	MILAN	EUR	10,000,000	58.0000		TIM S.p.A.
GLOBAL SPACE TRE S.r.l. (in liquidation) (ICT services)	ROME	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
MED 1 SUBMARINE CABLES Ltd (construction and management of the submarine cable lev1)	RAMAT GAN (ISRAEL)	ILS	9,607,583	100.0000		TELECOM ITALIA SPARKLE S.p.A.
MINDICITY S.r.l. BENEFIT CORPORATION (design, development, implementation, installation, management and marketing of software, hardware, electronic IT systems and telecommunications systems)	CASALMAGGIORE (CREMONA)	EUR	10,000	70.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
NOOVLE AI S.r.l. (ICT services)	ROVERETO (TRENTO)	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE INTERNATIONAL SAGL (ICT services)	PREGASSONA (SWITZERLAND)	CHF	20,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE MALTA Ltd (ICT services)	GZIRA (MALTA)	EUR	10,000	90.0000		NOOVLE INTERNATIONAL SAGL
NOOVLE S.p.A. SOCIETA' BENEFIT (design, implementation and management of infrastructures and data center services)	MILAN	EUR	1,000,000	100.0000		TIM S.p.A.
NOOVLE SICILIA S.c.a.r.l. (ICT services)	PALERMO	EUR	50,000	80.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE SLOVAKIA S.R.O. (in liquidation) (ICT services)	BRATISLAVA (SLOVAKIA)	EUR	5,000	85.0000 15.0000		NOOVLE S.p.A. SOCIETA' BENEFIT TELECOM ITALIA FINANCE S.A.
OLIVETTI PAYMENT SOLUTIONS S.p.A. (management of equity investments, study and research activities, commercial, industrial, financial movable and real estate activities)	MILAN	EUR	50,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
OLIVETTI S.p.A. SOCIETA' BENEFIT (production and sale of office equipment and information technology services)	IVREA (TURIN)	EUR	11,000,000	100.0000		TIM S.p.A.
PANAMA DIGITAL GATEWAY S.A. (telecommunications services and data center management)	PANAMA CITY (PANAMA)	USD	10,000	60.0000		TELECOM ITALIA SPARKLE S.p.A.
STAER SISTEMI S.r.l. (activities connected with the production and marketing of electronic systems and programs and activities connected with energy efficiency plants)	ROME	EUR	419,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TELECOM ITALIA SAN MARINO S.p.A. (San Marino telecommunications management)	BORGO MAGGIORE (SAN MARINO)	EUR	1,808,000	100.0000		TIM S.p.A.
TELECOM ITALIA SPARKLE S.p.A. (completion and management of telecommunications services for public and private use)	ROME	EUR	200,000,000	100.0000		TIM S.p.A.
TELECOM ITALIA TRUST TECHNOLOGIES S.r.l. (other operations related to non-classified IT services)	POMEZIA (ROME)	EUR	7,000,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TELECOM ITALIA VENTURES S.r.l. (investment holding company)	MILAN	EUR	10,000	100.0000		TIM S.p.A.
TELECONTACT CENTER S.p.A. (telemarketing services)	NAPLES	EUR	3,000,000	100.0000		TIM S.p.A.
TELEFONIA MOBILE SAMMARINESE S.p.A. (development and management of mobile telecommunications plants and services)	BORGO MAGGIORE (SAN MARINO)	EUR	78,000	51.0000		TELECOM ITALIA SAN MARINO S.p.A.
TELENERGIA S.r.l. (import, export, purchase, sale and trade of electricity)	ROME	EUR	50,000	100.0000		TIM S.p.A.
TELSY S.p.A. (production, installation, maintenance, reconditioning and sale of terminals, radio telephones, telecommunications and electronic systems in general)	TURIN	EUR	5,390,000	100.0000		TIM S.p.A.
TI SPARKLE AMERICAS Inc. (managed bandwidth services)	MIAMI (UNITED STATES OF AMERICA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ARGENTINA S.A. (managed bandwidth services)	BUENOS AIRES (ARGENTINA)	ARS	9,998,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE AUSTRIA GmbH (telecommunications services)	VIENNA (AUSTRIA)	EUR	2,735,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE BELGIUM S.P.R.L. – B.V.B.A. (telecommunications services)	BRUSSELS (BELGIUM)	EUR	2,200,000	99.9967 0.0033		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	71,563,866	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE BRASIL TELECOMUNICAÇÕES Ltda (managed bandwidth services)	RIO DE JANEIRO (BRAZIL)	BRL	69,337,363	99.9999 0.0001		TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda TI SPARKLE AMERICAS Inc.
TI SPARKLE BULGARIA EOOD (telecommunications)	SOFIA (BULGARIA)	BGN	100,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE CHILE S.p.A. (managed bandwidth services)	SANTIAGO (CHILE)	CLP	5,852,430,960	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE COLOMBIA Ltda (managed bandwidth services)	BOGOTA' (COLOMBIA)	COP	12,635,774,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE CZECH S.R.O. (telecommunications services)	PRAGUE (CZECH REPUBLIC)	CZK	6,720,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE FRANCE S.A.S. (installation and management of telecommunications services for fixed network and related activities)	PARIS (FRANCE)	EUR	18,295,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GERMANY GmbH (telecommunications services)	FRANKFURT (GERMANY)	EUR	25,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GREECE S.A. (telecommunications)	ATHENS (GREECE)	EUR	368,760	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ISRAEL Ltd (international wholesale telecommunication services)	RAMAT GAN (ISRAEL)	ILS	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NETHERLANDS B.V. (telecommunications services)	AMSTERDAM (NETHERLANDS)	EUR	18,200	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NORTH AMERICA, Inc. (telecommunications and promotional services)	NEW YORK (UNITED STATES OF AMERICA)	USD	15,550,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PANAMA S.A. (managed bandwidth services)	PANAMA CITY (PANAMA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PERU' S.A. (managed bandwidth services)	LIMA (PERU)	PEN	57,101,788	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE PUERTO RICO LLC (managed bandwidth services)	SAN JUAN (PUERTO RICO)	USD	3,050,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ROMANIA S.r.l. (telecommunications services)	BUCHAREST (ROMANIA)	RON	3,021,560	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE RUSSIA LLC (telecommunications services)	MOSCOW (RUSSIA)	RUB	8,520,000	99.0000 1.0000		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE SINGAPORE Pte.Ltd (telecommunications services)	SINGAPORE	USD	5,121,120	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE NORTH AMERICA, Inc.
TI SPARKLE SLOVAKIA S.R.O. (telecommunications services)	BRATISLAVA (SLOVAKIA)	EUR	300,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE SPAIN TELECOMMUNICATIONS S.L. (telecommunications services)	MADRID (SPAIN)	EUR	1,687,124	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ST. CROIX LLC (managed bandwidth services)	VIRGIN ISLANDS (UNITED STATES OF AMERICA)	USD	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TI SPARKLE SWITZERLAND GmbH (telecommunications services)	ZURICH (SWITZERLAND)	CHF	2,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE TURKEY TELEKOMÜNIKASYON ANONIM SIRKETI (telecommunications services)	ISTANBUL (TURKEY)	TRY	65,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE UK Ltd (value-added and networking services)	LONDON (UNITED KINGDOM)	EUR	3,983,254	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE VENEZUELA C.A. (managed bandwidth services)	CARACAS (VENEZUELA)	VES	10	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TIESSE S.c.p.A. (in liquidation) (installation and assistance for electronic, IT, telematics and telecommunications equipment)	IVREA (TURIN)	EUR	103,292	61.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TIM MY BROKER S.r.l. (Insurance brokerage)	ROME	EUR	10,000	100.0000		TIM S.p.A.
TIM RETAIL S.r.l. (sale of fixed and mobile telecommunications products and services and all analog and digital broadcasting equipment)	MILAN	EUR	2,402,241	100.0000		TIM S.p.A.
TIM SERVIZI DIGITALI S.p.A. (development and ordinary and extraordinary maintenance of plants for the supply of telecommunications services to end customers)	ROME	EUR	50,000	100.0000		TIM S.p.A.
TIS LAGOS LIMITED (telecommunications services)	LAGOS (NIGERIA)	NGN	10,000,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
BRAZIL BU						
COZANI RJ INFRAESTRUCTURA E REDE DE TELECOMUNICAÇÕES S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	2,993,889,243	100.0000		TIM S.A.
TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	8,227,356,500	99.9999 0.0001		TELECOM ITALIA FINANCE S.A. TIM S.p.A.
TIM S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	13,477,890,508	66.5882 0.0005	66.5885	TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. TIM S.A.
OTHER OPERATIONS						
OLIVETTI DEUTSCHLAND GmbH (sale of office equipment and supplies)	NURNBERG (GERMANY)	EUR	25,600,000	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
OLIVETTI UK Ltd (sale of office equipment and supplies)	NORTHAMPTON (UNITED KINGDOM)	GBP	6,295,712	100.0000		OLIVETTI S.p.A. SOCIETA' BENEFIT
TELECOM ITALIA CAPITAL S.A. (financial company)	LUXEMBOURG	EUR	2,336,000	100.0000		TIM S.p.A.
TELECOM ITALIA FINANCE S.A. (financial company)	LUXEMBOURG	EUR	1,818,691,979	100.0000		TIM S.p.A.
TELECOM ITALIA LATAM PARTICIPAÇÕES E GESTÃO ADMINISTRATIVA Ltda (telecommunications and promotional services)	SAO PAULO (BRAZIL)	BRL	118,925,804	99.9997		TIM S.p.A.
TI AUDIT COMPLIANCE LATAM S.A. (in liquidation) (internal audit services)	RIO DE JANEIRO (BRAZIL)	BRL	1,500,000	69.9996 30.0004		TIM S.p.A. TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD						
AREE URBANE S.r.l. (in liquidation) (real estate management)	MILAN	EUR	100,000	32.6200		TIM S.p.A.
CONSORZIO MEDSTAR (other services to support businesses)	ROME	EUR	10,000	50.0000		STAER SISTEMI S.r.l.
DAPHNE 3 S.p.A. (assumption, holding, management and disposal of equity investments in INWIT)	MILAN	EUR	100,000	10.0000		TIM S.p.A.
I-SYSTEMS S.A. (telecommunications systems)	RIO DE JANEIRO (BRAZIL)	BRL	1,794,287,995	49.0000		TIM S.A.
ITALTEL S.p.A. (telecommunications systems)	ROME	EUR	5,692,956	17.7200		TIM S.p.A.
NORDCOM S.p.A. (application service provider)	MILAN	EUR	5,000,000	42.0000		TIM S.p.A.
PEDIUS S.r.l. (implementation of specialized telecommunications applications, telecommunications services over telephone connections, VOIP services)	ROME	EUR	181	(*)		TELECOM ITALIA VENTURES S.r.l.
POLO STRATEGICO NAZIONALE S.p.A. (design, preparation, fitting out and making available of highly reliable national data network infrastructures for the public administration)	ROME	EUR	3,000,000	45.0000		TIM S.p.A.
QTI S.r.l. (development, production and sale of innovative products and services with high technological value)	FLORENCE	EUR	19,608	49.0000		TELSY S.p.A.
SMART STRUCTURES SOLUTIONS S.r.l. (engineering research activities)	ROME	EUR	15,000	36.0000		STAER SISTEMI S.r.l.
TIGLIO I S.r.l. (in liquidation) (real estate management)	MILAN	EUR	100,000	47.8020		TIM S.p.A.
TIMFIN S.p.A. (carrying out in regard to the public of the concession of loans in any form and, notably, of any type of finance disbursed in the form of a personal and consumer loan)	TURIN	EUR	40,000,000	49.0000		TIM S.p.A.
W.A.Y. S.r.l. (development and sale of geolocation products and systems for security and logistics)	TURIN	EUR	136,383	39.9999		OLIVETTI S.p.A. SOCIETA' BENEFIT
WEBIDOO S.p.A. (ICT services)	MILAN	EUR	242,357	(*)		TELECOM ITALIA VENTURES S.r.l.
WESCHOOL S.r.l. (research, development, marketing and patenting of all intellectual property related to technology, information technology and TLC)	MILAN	EUR	25,000	(*)		TELECOM ITALIA VENTURES S.r.l.

(*) Associate over which TIM S.p.A., directly or indirectly, exercises significant influence pursuant to IAS 28 (Investments in Associates and Joint Ventures).

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
OTHER MAJOR INVESTMENTS						
IBAS ITALIAN BROADCASTING ADVANCE SOLUTIONS (consultancy services for the management of common promotional activities and connected public relations of the consortium members)	DESENZANO DEL GARDA (BRESCIA)	EUR	16,000	12.5000		STAER SISTEMI S.r.l.
DAHLIA TV S.p.A. (in liquidation) (pay-per-view services)	ROME	EUR	11,318,833	10.0786		TIM S.p.A.
FIN.PRIV. S.r.l. (financial company)	MILAN	EUR	20,000	14.2850		TIM S.p.A.
MIX S.r.l. (internet service provider)	MILAN	EUR	3,500,000	11.0937		TIM S.p.A.
WIMAN S.r.l. (in liquidation) (development, management and implementation of platforms for social-based Wi-Fi authentication)	MATTINATA (FOGGIA)	EUR	22,233	13.4935		TELECOM ITALIA VENTURES S.r.l.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 DATED MAY 14, 1999, WITH AMENDMENTS AND ADDITIONS

1. We, the undersigned, Pietro Labriola, as Chief Executive Officer, and Adrian Calaza Noia, as Manager responsible for preparing TIM S.p.A. financial reports, certify, having also considered the provisions of Article 154-bis, subsections 3 and 4, of Italian Legislative Decree 58 of February 24, 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the 2022 fiscal year.

2. TIM has adopted the Internal Control – Integrated Framework Model (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission, as its framework for the establishment and assessment of its internal control system, with particular reference to the internal controls for the preparation of the financial statements.

3. The undersigned also certify that:

   3.1. the Consolidated Financial Statements at December 31, 2022:

   a) have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of July 19, 2002 (International Financial Reporting Standards – IFRS), as well as the legislative and regulatory provisions in force in Italy, including, in particular, the measures enacted for the implementation of Article 9 of Italian Legislative Decree 38 of February 28, 2005;

   b) agree with the results of the accounting records and entries;

   c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Company and its consolidated subsidiaries;

   3.2. The report on operations contains a reliable operating and financial review of the Company and of the Group, as well as a description of their exposure to the main risks and uncertainties. The Report on Operations also contains a reliable analysis of information concerning significant related-party transactions.

March 15, 2023

Chief Executive Officer	**Manager Responsible for Preparing the Corporate Financial Reports**
/ signed /	/ signed /
Pietro Labriola	Adrian Calaza Noia

INDEPENDENT AUDITORS' REPORT

EY S.p.A.
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
TIM S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TIM Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of TIM S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Impairment test of goodwill – Domestic	
As of December 31, 2022, goodwill amounts to Euro 19,111 million and refers for Euro 18,134 million to the Domestic cash generating unit ("CGU") and for Euro 977 million to the Brazil CGU. The processes and methodologies used by the Group to evaluate and determine the recoverable amount of each CGU, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the forecast of future cash flows and to the estimate of the long-term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgment required and the complexity of the assumptions applied in estimating the recoverable amount of goodwill, we considered this area a key audit matter. Disclosures related to the assessment of goodwill are reported in note 5 "Goodwill" and in note 2 "Accounting policies" in the paragraphs "Intangible assets - Goodwill"," Impairment of intangible, tangible and rights of use assets - Goodwill" and "Use of estimates".	Our audit procedures in response to the key audit matter included, among others: ► the assessment of the processes implemented by the Group with reference to the criteria and methodology of the impairment test; ► the validation of the CGUs perimeter and the test of the allocation of the carrying value of the Group's assets to the Domestic CGU; ► the assessment of the reasonableness of the future cash flows forecasts, including comparisons with sector data and forecasts, utilized in the fair value determination; ► the assessment of the consistency of the future cash flows forecasts of the CGU with the Group business plan; ► the assessment of forecasts in light of their historical accuracy; ► the assessment of the reasonableness of long-term growth rates and discount rates. The procedures referred to in the previous points also concerned the analysis of the assessments performed by the independent experts appointed by the Group. In performing our analysis, we involved our experts in valuation techniques, who performed an independent recalculation and carried out sensitivity analyses on the key assumptions in order to determine which changes in the assumptions could materially affect the recoverable amount. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the valuation of goodwill.

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Revenue recognition

TIM Group's revenues amounted to Euro 15,788 million as of December 31, 2022, and refer almost entirely to the telecommunications services rendered to retail and wholesale customers (other telecommunications operators).

Procedures over the accounting of revenues required significant focus in the context of our audit procedures due to (i) a highly complex accounting process due to the number of commercial offers, the number of underlying application systems and the related reconciliation processes, (ii) the presence of certain manual phases in the revenue recognition process, in particular for services provided to large customers and (iii) the complexity in estimating commitments connected to certain contracts.

The Group provides the relative disclosures in Note 26 "Revenues" of the consolidated financial statements.

Our audit procedures in response to the key audit matter included, among others:

- an understanding of the processes underlying the revenue recognition;
- the understanding and verification of the design and operating effectiveness of the relevant controls over the revenue recognition process;
- the analysis of the application systems supporting the revenue recognition process;
- the assessment that the accounting policy adopted for the main commercial offers is consistent with the provisions of the reference accounting standard;
- the analysis, on a sample basis, of some significant transactions relating to invoices issued and invoices to be issued, in order to verify that the contractual data and the evidence supporting the actual service rendered and / or goods transferred were consistent with the accounting policy adopted;
- the analysis of the valuation of certain contracts identified as onerous contracts;
- the analysis of the reconciliation of the management accounts with the accounting records in connection with the main balance sheet items related to customer relations;
- the analysis of the manual journal entries.

We also required external confirmations for a sample of customers and transactions.

Lastly, we reviewed the adequacy of the disclosure provided in the notes to the consolidated financial statements with regards to the revenue recognition process.

Regulatory disputes

As of December 31, 2022, TIM Group is involved in several regulatory disputes in progress, many of which are characterized by

Our audit procedures in response to the key audit matter included, among others:

- an understanding of the process put in place

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significant counterparty requests. The main disputes concern (i) the 28-day billing proceeding, in which AGCOM ordered TIM to reimburse customers for unused service days, (ii) the I820 proceeding, started by AGCM against TIM and other telco operators, to ascertain a possible conduct restricting market competition, (iii) the I857 proceeding for a possible agreement restricting market competition in connection with the partnership with DAZN and (iv) the A514, and the related "follow-on" proposed by some other OLOs, procedure in which the AGCM charged TIM with conduct aimed at hindering the entry on the market of a new operator. The assessment of the disputes was carried out by Management, as of 31 December 2022, based on the opinion of the external lawyers, as well as considering the latest information available. The estimation of the risks connected to the disputes in which the Group is involved, requires a high degree of judgment by the management and, also considering the complexity of the regulatory framework, we considered this area a key audit matter. Disclosures related to the assessment of the risks relating to the regulatory disputes in which the Group is involved is reported in note 25 "Disputes and pending legal actions, other information, commitments and guarantees".	by Management for assessing disputes, accompanied by test of the effectiveness of the internal controls relevant for this process; ► inquiries with Management regarding the main assumptions made in connection with disputes; ► the analysis of the legal opinions prepared by external consultants, based on which Management has based its assessments; ► the analysis of the responses received from external lawyers following our external confirmations procedures. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements.
Fiscal disputes in Brazil	
As of December 31, 2022, the TIM Group is involved in several disputes with the Brazilian tax authorities. The maximum potential liability associated with these disputes, as at December 31, 2022, amounts to Euro 3,270. With reference to this potential liability, the Group recognized a provision of Euro 85 million with regards to the risks deemed probable. The assessment of the risk related to the tax disputes in Brazil in which the Group is involved, requires a high degree of judgment by the	Our audit procedures in response to the key audit matter included, among others: ► an understanding of the process put in place by Management for assessing disputes, accompanied by test of the effectiveness of the controls relevant for this process; ► inquiries with Management regarding the main assumptions made in connection with disputes; ► the analysis of the legal opinions prepared by external consultants, based on which

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Management and, also considering the significance of the amounts involved, we considered it to be a key audit matter.

Disclosures related to the assessment of the risks relating to the fiscal disputes in which the Group is involved is reported in note 25 "Disputes and pending legal actions, other information, commitments and guarantees".

Management has based its assessments;

- the analysis of the responses to our external confirmations procedures received from external lawyers, also with the involvement of our experts in tax disputes.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the disputes in which the Group is involved, based on their compliance with the international accounting standards and their consistency with the results of our audit procedures.

Recoverability of deferred tax assets

As of December 31, 2022, deferred tax assets amount, net of impairment, to Euro 769 million in the consolidated financial statements.

Deferred tax assets refer to the temporary deductible differences between the book and fiscal values of assets and liabilities in the financial statements.

The recoverability of the carrying amount of the deferred tax assets is subject to management's evaluation and is based on the estimations of the future taxable income expected in the years in which they will be reversed.

The processes and methodologies used to evaluate and determine the recoverable amount of these assets, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the consistency of the forecasts of future taxable income expected by the Group with those included in the business plan.

Considering the level of judgment required and the complexity of the assumptions applied in estimating future taxable amount used to determine the recoverability of the deferred tax assets, we considered this area a key audit matter.

Disclosures related to the assessment of recoverability of deferred tax assets are reported in note 2 "Accounting policies" in the

Our audit procedures in response to the key audit matter included, among others:

- the assessment of the reasonableness of the assumptions underlying the estimation of future taxable income and the reconciliation with the figures included in the Group's business plan, taking into account the regulatory changes that took place during 2022;
- the assessment of the reasonableness of the accuracy of the forecasts compared with the prior periods;
- the assessment of the Management calculations.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the recoverability of deferred tax assets.

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paragraphs "Income tax expense (current and deferred)" and "Use of estimates" and in note 12 "Income tax expense (current and deferred)".

Acquisition of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A.

On April 20, 2022, the Group acquired 100% of the share capital of Cozani RJ Infraestrutura e Rede de Telecomunicações S.A., the company to which part of the assets, rights and obligations of Oi Móvel S.A. have been contributed, for a total consideration of Euro 1,373 million.

The acquisition was accounted for as a business combination pursuant to IFRS 3. The Group has estimated the fair value of the assets acquired and the liabilities assumed, as well as the value of the contingent consideration, using valuation models and assumptions based on future performance (including revenue growth rates and churn rate).

Considering the level of judgment required and the complexity of the assumptions used in estimating the fair value of the assets acquired and liabilities assumed, mainly with reference to the customer relationship, we considered this area a key audit matter.

Disclosures related to the transaction are reported in note 4 "Business combinations".

Our audit procedures in response to the key audit matter included, among others:

- test of the design and effectiveness of the controls put in place to mitigate the risks associated with the valuation process, with particular reference to controls that concern the identification of assets acquired as well as the determination of the inputs of the valuation model;
- the assessment of the reasonableness of the inputs used in the model, as well as the most significant assumptions used by the Company Management in the preparation of the perspective financial information;
- the analysis of the completeness and accuracy of the data used in the model, comparing them with market data and trends.

In performing our analysis, we involved our experts in valuation techniques, who performed an independent recalculation and carried out sensitivity analyses on the key assumptions in order to determine which changes in the assumptions could materially affect the estimation of the fair value of the assets acquired and the liabilities assumed.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement,

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whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company TIM S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of

the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of TIM S.p.A., in the general meeting held on March 29, 2019, engaged us to perform the audits of the separate and consolidated financial statements for each of the years ending December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of TIM S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML and have been marked-up, in all material aspects format in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may

not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of TIM S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of TIM Group as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of TIM Group] as at December 31 ,2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of TIM Group as at December 31, 2022, and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of TIM S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Turin, March 30, 2023

EY S.p.A.
Signed by: Ettore Abate, Auditor

As disclosed by the Directors, the accompanying consolidated financial statements of TIM S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

TIM Group Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

(million euros)		notes	12/31/2021	of which with related parties	12/31/2020	of which with related parties
Non-current assets						
Intangible assets						
Goodwill		4)	18,568	—	22,847	—
Intangible assets with a finite useful life		5)	7,147	—	6,740	—
			25,715	—	**29,587**	—
Tangible assets		6)				
Property, plant and equipment owned			**13,311**	—	**13,141**	—
Rights of use assets		7)	**4,847**	*301*	**4,992**	*347*
Other non-current assets						
Investments in associates and joint ventures accounted for using the equity method		8)	2,979	—	2,728	—
Other investments		8)	156	—	54	—
Non-current financial receivables arising from lease contracts		9)	45	*1*	43	—
Other non-current financial assets		9)	2,285	—	2,267	—
Miscellaneous receivables and other non-current assets		10)	2,266	—	2,114	—
Deferred tax assets			3,513	—	7,496	—
			11,244	—	**14,702**	—
Total Non-current assets	**(a)**		**55,117**	—	**62,422**	—
Current assets						
Inventories		12)	282	—	242	—
Trade and miscellaneous receivables and other current assets		13)	4,358	*80*	4,346	*61*
Current income tax receivables		11)	79	—	86	—
Current financial assets		9)				
Current financial receivables arising from lease contracts			*56*	—	*55*	—
Securities other than investments, other financial receivables and other current financial assets			*2,391*	—	*1,254*	—
Cash and cash equivalents			*6,904*		*4,829*	
			9,351	—	6,138	—
Current assets sub-total			**14,070**	—	**10,812**	—
Discontinued operations /Non-current assets held for sale						
of a financial nature			—	—	—	—
of a non-financial nature			—	—	—	—
			—	—	**—**	—
Total Current assets	**(b)**		**14,070**	—	**10,812**	—
Total Assets	**(b+a)**		**69,187**	—	**73,234**	—

Equity and liabilities

(million euros)	notes	12/31/2021	of which with related parties	12/31/2020	of which with related parties
Equity	14)				
Capital issued		11,677	—	11,677	—
less: Treasury shares		(63)	—	(89)	—
Share capital		11,614	—	11,588	—
Additional paid-in capital		2,133	—	2,133	—
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year		3,667	—	12,494	—
Equity attributable to owners of the Parent		17,414	—	26,215	—
Non-controlling interests		4,625	—	2,625	—
Total Equity		22,039	—	28,840	—
Non-current liabilities					
Non-current financial liabilities for financing contracts and others	15)	23,437	—	23,655	—
Non-current financial liabilities for lease contracts	15)	4,064	*269*	4,199	*313*
Employee benefits	20)	699	—	724	—
Deferred tax liabilities		245	—	277	—
Provisions	21)	926	—	770	—
Miscellaneous payables and other non-current liabilities	22)	1,413	*27*	3,602	*3*
Total Non-current liabilities	**(d)**	30,784		33,227	
Current liabilities					
Current financial liabilities for financing contracts and others	15)	5,945	*1*	3,677	—
Current financial liabilities for lease contracts	15)	651	*74*	631	*50*
Trade and miscellaneous payables and other current liabilities	23)	9,473	*265*	6,588	*163*
Current income tax payables	11)	295	—	271	—
Current liabilities sub-total		16,364		11,167	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale					
of a financial nature		—	—	—	—
of a non-financial nature		—	—	—	—
		—	—	—	—
Total Current Liabilities	**(e)**	16,364	—	11,167	—
Total Liabilities	**(f=d+e)**	47,148	—	44,394	—
Total Equity and Liabilities	**(c+f)**	69,187	—	73,234	—

SEPARATE CONSOLIDATED INCOME STATEMENT

(million euros)	notes	Year 2021	*of which with related parties*	Year 2020	*of which with related parties*
Revenues	25)	**15,316**	*62*	**15,805**	*94*
Other income		272	*12*	211	*1*
Total operating revenues and other income		**15,588**		**16,016**	
Acquisition of goods and services		(6,550)	*(497)*	(6,173)	*(363)*
Employee benefits expenses		(2,941)	*(108)*	(2,639)	*(89)*
Other operating expenses		(1,502)	*(3)*	(961)	(2)
Change in inventories		10	—	(6)	—
Internally generated assets		475	—	502	—
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**5,080**		**6,739**	
of which: impact of non-recurring items	41)	*(1,143)*		*(324)*	
Depreciation and amortization		(4,490)	*(50)*	(4,616)	*(39)*
Gains/(losses) on disposals of non-current assets		1	—	(11)	—
Impairment reversals (losses) on non-current assets		(4,120)	—	(8)	—
Operating profit (loss) (EBIT)		**(3,529)**		**2,104**	
of which: impact of non-recurring items	41)	*(5,263)*		*(324)*	
Share of profits (losses) of associates and joint ventures accounted for using the equity method	8)	38	—	18	—
Other income (expenses) from investments		126	—	454	—
Finance income	35)	1,124	*1*	1,143	—
Finance expenses	35)	(2,274)	*(18)*	(2,322)	*(15)*
Profit (loss) before tax from continuing operations		**(4,515)**		**1,397**	
of which: impact of non-recurring items	41)	*(5,144)*		*121*	
Income tax expense	11)	(3,885)	—	5,955	—
Profit (loss) from continuing operations		**(8,400)**		**7,352**	
Profit (loss) from Discontinued operations/Non-current assets held for sale		**—**		**—**	
Profit/(Loss) for the year	36)	**(8,400)**		**7,352**	
of which: impact of non-recurring items	41)	*(8,653)*		*6,048*	
Attributable to:					
Owners of the Parent		**(8,652)**		**7,224**	
Non-controlling interests		252		128	

(euros)		Year 2021	Year 2020
Earnings per share:	37)		
(Basic) Earnings per share			
Ordinary Share		(0.40)	0.34
Savings Share		(0.40)	0.35
of which:			
from Continuing operations attributable to Owners of the Parent			
Ordinary Share		(0.40)	0.34
Savings Share		(0.40)	0.35
Diluted earnings per share			
Ordinary Share		(0.40)	0.33
Savings Share		(0.40)	0.34
of which:			
from Continuing operations attributable to Owners of the Parent			
Ordinary Share		(0.40)	0.33
Savings Share		(0.40)	0.34

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note 14

(million euros)

		Year 2021	Year 2020
Profit/(Loss) for the year	(a)	(8,400)	7,352
Other components of the Consolidated Statements of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		7	(4)
Income tax effect		—	—
	(b)	7	(4)
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		(8)	6
Income tax effect		(3)	(1)
	(c)	(11)	5
Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Income tax effect		—	—
	(d)	—	—
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	(e=b+c+d)	(4)	1
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		28	5
Loss (profit) transferred to Separate Consolidated Income Statement		(6)	—
Income tax effect		—	—
	(f)	22	5
Hedging instruments:			
Profit (loss) from fair value adjustments		658	(253)
Loss (profit) transferred to Separate Consolidated Income Statement		(365)	373
Income tax effect		(71)	(30)
	(g)	222	90
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		50	(1,612)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	50	(1,612)
Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Loss (profit) transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(i)	—	—
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	(k=f+g+h+i)	294	(1,517)
Total other components of the Consolidated Statements of Comprehensive Income	(m=e+k)	290	(1,516)
Total comprehensive income (loss) for the year	(a+m)	(8,110)	5,836
Attributable to:			
Owners of the Parent		(8,374)	6,199
Non-controlling interests		264	(363)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2020 to December 31, 2020

(million euros)	Equity attributable to owners of the Parent									Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	**Total**		
Balance at December 31, 2019	**11,587**	**2,094**	**19**	**(440)**	**(1,417)**	**(124)**	**—**	**8,561**	**20,280**	**2,346**	**22,626**
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	(316)	**(316)**	(62)	**(378)**
Total comprehensive income (loss) for the year	—	—	1	90	(1,121)	5	—	7,224	**6,199**	(363)	**5,836**
Issue of equity instruments	1	39	—	—	—	—	—	3	**43**	—	**43**
INWIT - deconsolidation	—	—	—	—	—	—	—	—	**—**	(644)	**(644)**
Daphne 3 - capital increase	—	—	—	—	—	—	—	—	**—**	1,334	**1,334**
Other changes	—	—	—	—	—	—	—	9	**9**	14	**23**
Balance at December 31, 2020	**11,588**	**2,133**	**20**	**(350)**	**(2,538)**	**(119)**	**—**	**15,481**	**26,215**	**2,625**	**28,840**

Changes from January 1, 2021 to December 31, 2021 Note 14

(million euros)	Equity attributable to owners of the Parent									Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	**Total**		
Balance at December 31, 2020	**11,588**	**2,133**	**20**	**(350)**	**(2,538)**	**(119)**	**—**	**15,481**	**26,215**	**2,625**	**28,840**
Changes in equity during the year:											
Dividends approved	—	—	—	—	—	—	—	(318)	**(318)**	(55)	**(373)**
Total comprehensive income (loss) for the year	—	—	29	222	38	(11)	—	(8,652)	**(8,374)**	264	**(8,110)**
Issue of equity instruments	26	—	—	—	—	—	—	7	**33**	—	**33**
FiberCop - capital increase	—	—	—	—	—	—	—	(98)	**(98)**	1,848	**1,750**
Daphne 3 - distribution of additional paid-in capital	—	—	—	—	—	—	—	—	**—**	(42)	**(42)**
Other changes	—	—	—	—	—	—	—	(44)	**(44)**	(15)	**(59)**
Balance at December 31, 2021	**11,614**	**2,133**	**49**	**(128)**	**(2,500)**	**(130)**	**—**	**6,376**	**17,414**	**4,625**	**22,039**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)	notes	Year 2021	Year 2020
Cash flows from operating activities:			
Profit (loss) from continuing operations		(8,400)	7,352
Adjustments for:			
Depreciation and amortization		4,490	4,616
Impairment losses (reversals) on non-current assets (including investments)		4,118	36
Net change in deferred tax assets and liabilities		3,894	(6,538)
Losses (gains) realized on disposals of non-current assets (including investments)		(120)	(441)
Share of profits (losses) of associates and joint ventures accounted for using the equity method		(38)	(18)
Change in provisions for employee benefits		(83)	(628)
Change in inventories		(39)	20
Change in trade receivables and other net receivables		257	484
Change in trade payables		337	(231)
Net change in income tax receivables/payables		(313)	708
Net change in miscellaneous receivables/payables and other assets/liabilities		233	1,191
Cash flows from (used in) operating activities	**(a)**	**4,336**	**6,551**
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(4,013)	(3,477)
Capital grants received		3	24
Acquisition of control of companies or other businesses, net of cash acquired		—	(7)
Acquisitions/disposals of other investments		(100)	(11)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		(1,183)	(251)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		172	(33)
Proceeds from sale/repayments of intangible, tangible and other non-current assets		4	678
Cash flows from (used in) investing activities	**(b)**	**(5,117)**	**(3,077)**
Cash flows from financing activities:			
Change in current financial liabilities and other		704	(1,461)
Proceeds from non-current financial liabilities (including current portion)		4,082	1,470
Repayments of non-current financial liabilities (including current portion)		(3,072)	(2,790)
Changes in hedging and non-hedging derivatives		103	—
Share capital proceeds/reimbursements (including subsidiaries)		(42)	1,164
Dividends paid(*)		(368)	(390)
Changes in ownership interests in consolidated subsidiaries		1,757	(2)
Cash flows from (used in) financing activities	**(c)**	**3,164**	**(2,009)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**—**	**—**
Aggregate cash flows	**(e=a+b+c+d)**	**2,383**	**1,465**
Net cash and cash equivalents at beginning of the year	**(f)**	**4,508**	**3,202**
Net foreign exchange differences on net cash and cash equivalents	**(g)**	13	(159)
Net cash and cash equivalents at end of the year	**(h=e+f+g)**	**6,904**	**4,508**
(*) of which from related parties:		51	36

Purchases of intangible, tangible and rights of use assets

(million euros)	*notes*	Year 2021	Year 2020
Purchase of intangible assets	5)	(1,886)	(1,197)
Purchase of tangible assets	6)	(2,665)	(2,138)
Purchase of rights of use assets	7)	(746)	(1,362)
Total purchase of intangible, tangible and rights of use assets on an accrual basis(*)		(5,297)	(4,697)
Change in payables arising from purchase of intangible, tangible and rights of use assets		1,284	1,220
Total purchases of intangible, tangible and rights of use assets on a cash basis		(4,013)	(3,477)
(*) of which from related parties:		23	378

Additional Cash Flow information

(million euros)	Year 2021	Year 2020
Income taxes (paid) received	(242)	223
Interest expense paid	(1,440)	(1,520)
Interest income received	437	448
Dividends received	90	256

Analysis of Net Cash and Cash Equivalents

(million euros)	Year 2021	Year 2020
Net cash and cash equivalents at the start of the year:		
Cash and cash equivalents - from continuing operations	4,829	3,138
Bank overdrafts repayable on demand – from continuing operations	(321)	(1)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	65
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	4,508	**3,202**
Net cash and cash equivalents at the end of the year:		
Cash and cash equivalents - from continuing operations	6,904	4,829
Bank overdrafts repayable on demand – from continuing operations	—	(321)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	—
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	6,904	**4,508**

The additional disclosures required by IAS 7 are provided in the Note “Net financial debt” to these consolidated financial statements.

NOTE 1
FORM, CONTENT AND OTHER GENERAL INFORMATION

Form and content

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

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

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

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

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

The TIM Group's Consolidated Financial Statements at December 31, 2021, have been prepared on a going concern basis (further details are provided in the Note "Accounting Policies") and in accordance with the recognition and measurement criteria of the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as "**IFRS**"), as well as laws and regulations in force in Italy.

In 2021, the Group adopted accounting policies consistent with those of the previous year, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2021. See the Note "Accounting policies" for more details.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets, which are measured at the fair value recognized in the other components of the comprehensive income, financial assets measured at fair value through the income statement, and derivative financial instruments, which have been measured at fair value. The carrying amounts of hedged assets and liabilities have been adjusted to reflect the changes in fair value of the hedged risks (fair value hedge).

In accordance with IAS 1 (Presentation of Financial Statements) comparative information included in the consolidated financial statements refers, unless otherwise indicated, to the previous year.

The TIM Group consolidated financial statements as at December 31, 2021 are expressed in euro (rounded to the nearest million unless otherwise indicated).

The publication of the consolidated financial statements for the year ended December 31, 2021 of the TIM Group was approved by resolution of the Board of Directors on March 02, 2022.

Financial statement formats

The financial statement formats adopted are consistent with those indicated in IAS 1. In particular:

- **the Consolidated statements of financial position** have been prepared by classifying assets and liabilities according to the "current and non-current" criterion;
- the **Separate Consolidated Income Statement** has been prepared by classifying operating costs by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting, and is in line with the TIM Group's industrial sector.
  In addition to EBIT or Operating profit (loss), the separate consolidated income statement includes the alternative performance measure of EBITDA or Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets.

  In particular, besides EBIT, EBITDA is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors), as a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level).

EBIT and EBITDA are calculated as follows:

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

- the **Consolidated statements of comprehensive income** include the profit or loss for the year as shown in the Separate Consolidated Income Statement and all other non-owner changes in equity;
- the **Consolidated statements of cash flows** have been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, as required by Consob Resolution 15519 of July 27, 2006, in the separate consolidated income statement, income and expenses relating to transactions which by nature do not occur during normal operation (non-recurring transactions) have been specifically identified and their impacts on the main intermediate levels have been shown separately, when they are significant. Specifically, non-recurring income/(expenses) include, for instance: income/expenses arising from the sale of properties, plant and equipment, business segments and investments; expenses stemming from company reorganization and streamlining processes and projects, also in connection with corporate transactions (mergers, spin-offs, etc.); expenses resulting from litigation and regulatory fines and related liabilities; other provisions and related reversals; costs for the settlement of disputes other than regulatory disputes; adjustments, realignments and other non-recurring items, also relating to previous years; impairment losses on goodwill and/or other intangible and tangible assets. Certain costs related to the COVID-19 pandemic are also identified as non-recurring charges.
Also in reference to the above Consob Resolution, the amounts relating to balances or transactions with related parties have been shown separately in the consolidated financial statements.

Segment reporting

An operating segment is a component of an entity:

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

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

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

NOTE 2
ACCOUNTING POLICIES

Going concern

The consolidated financial statements for the business year 2021 have been prepared on a going concern basis, as there is the reasonable expectation that TIM will continue conducting its business in the foreseeable future (and, in any event, over a period of at least twelve months).
In particular, the following factors have been taken into consideration:

- the main risks and uncertainties (that are for the most part of an external nature) to which the Group and the various activities of the TIM Group are exposed:
  - the changes in the general macroeconomic situation in the Italian, European and Brazilian market, including the effects deriving from the continued state of COVID-19 health emergency, as well as the volatility of financial markets in the Eurozone, partly following the UK's Brexit;
  - variations in business conditions, also related to competition;
  - changes to laws and regulations (price and rate variations);
  - outcomes of legal disputes and proceedings with regulatory authorities, competitors and other parties;
  - financial risks (interest rate and/or exchange rate trends, changes in the Group's credit rating by rating agencies);
- the optimal mix between risk capital and debt capital, as well as the policy for the remuneration of risk capital, as described in the section "Share capital information" under the Note "Equity";
- the policy for financial risk management (market risk, credit risk and liquidity risk), as described in the Note "Financial risk management".

Based on these factors, the Management believes that, at the present time, there are no elements of uncertainty regarding the Group's ability to continue as a going concern.

Principles of consolidation

The consolidated financial statements include the financial statements of all subsidiaries from the date on which control over such subsidiaries commences until the date on which control ceases.

The date of all the subsidiaries' financial statements coincides with that of the Parent company, TIM.

Control exists when the Parent company TIM S.p.A. has all the following:

- decision-making power over the investee, which includes the ability to direct the relevant activities of the investee, i.e. the activities that significantly affect the investee's returns;
- entitlement to the variable profits or losses commensurate with its shareholding in the investee;
- the ability to use its decision-making to determine the amount of the returns relating to its shareholding in the entity.

TIM assesses whether it controls an investee if facts and circumstances indicate that there are changes in one or more of the three control elements.

In the preparation of the consolidated financial statements, the global amounts of the assets, liabilities, costs and revenues of the consolidated companies are recognized on a line-by-line basis, while the share of equity and the year's result of non-controlling interest is recognized is disclosed separately under appropriate items in the consolidated statements of financial position, in the separate consolidated income statement and in the consolidated statements of comprehensive income.

Under IFRS 10 (Consolidated financial statements), the comprehensive loss (including the profit or loss for the year) is attributed to the shareholders of the parent company and to non-controlling interest even when the equity of non-controlling interest has a deficit balance.

All intragroup balances and transactions and any gains and losses arising from intragroup transactions are eliminated in consolidation.

The carrying amount of the investment in each subsidiary is eliminated against the corresponding share of equity in each subsidiary, after adjustment, if any, to fair value at the date of acquisition of control. At that date, goodwill is recorded as an intangible asset, as described below, whereas any gain from a bargain purchase (or negative goodwill) is recognized in the separate consolidated income statement.

All the assets and liabilities expressed in currencies other than euro of foreign consolidated entities that are included in the consolidation are translated using the exchange rates in effect at the reporting date (the current exchange rate method), while the related revenues and costs are translated at the average exchange rates for the year. Exchange differences resulting from the application of this method are classified as equity until the entire disposal of the investment or upon loss of control of the foreign subsidiary. Upon partial disposal, without losing control, the proportionate share of the cumulative amount of exchange differences related to the disposed interest is recognized as non-controlling interest equity. The cash flows of foreign consolidated subsidiaries expressed in currencies other than euro included in the consolidated statements of cash flows are translated into euro at the average exchange rates for the year.

Goodwill and fair value adjustments arising from the allocation of the purchase price of a foreign entity are recorded in the relevant foreign currency and are translated using the year-end exchange rate.

Under IFRS 10, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the shareholders of the parent company.

Under IFRS 10, the parent company in case of loss of control of a subsidiary:

- derecognizes:
  - the assets (including any goodwill) and the liabilities;
  - the carrying amount of any non-controlling interest;
- recognizes:
  - the fair value of any consideration received;
  - the fair value of any residual investment retained in the former subsidiary;
  - any gain or loss resulting from the transaction, in the separate consolidated income statement;
  - the reclassification to the separate consolidated income statement of the amounts previously recognized in other comprehensive income in relation to the subsidiary.

In the consolidated financial statements, investments in associates and joint ventures are accounted for using the equity method, as provided, respectively, by IAS 28 (Investments in Associates and Joint Ventures) and IFRS 11 (Joint Arrangements).

Associates are enterprises in which the Group holds at least 20% of the voting rights or exercises significant influence, but no control or joint control over their financial and operating policies.

A joint venture is a joint control arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the entity.

Joint control is the contractually agreed sharing of control of a business that exists only when decisions about the relevant business require the unanimous consent of the parties sharing control.

Associates and joint ventures are included in the consolidated financial statements from the date on which significant influence or joint control commences until the date on which significant influence or joint control ceases.

Under the equity method, on initial recognition the investment in an associate or joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognized in the separate consolidated income statement. Dividends received from an investee reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the investee's other comprehensive income (i.e. those arising from foreign exchange translation differences). The investor's share of those changes is recognized in the investor's other comprehensive income.

If an investor's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the investor discontinues recognizing its share of further losses. After the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Any other long-term interests (some types of preference shares and long-term loans) in an associate or joint venture are measured in accordance with IFRS 9.

Gains and losses resulting from "upstream" and "downstream" transactions between an investor (including its consolidated subsidiaries) and its associate or joint venture are recognized in the investor's financial statements only to the extent of unrelated investors' interests in the associate or joint venture.

The investor's share of profits and losses of the associate or joint venture arising from said transactions is eliminated.

Intangible assets

Goodwill

In accordance with IFRS 3 (Business Combinations), goodwill is recognized in the financial statements at the date of acquisition of control of a business and is determined as the excess of (a) over (b), as follows:

a) the aggregate of:

- the consideration transferred (measured in accordance with IFRS 3; it is generally recognized on the basis of the fair value at the acquisition date);
- the amount of any non-controlling interest in the acquiree measured proportionally to the non-controlling interest share of the acquiree's identifiable net assets shown at the related fair value;
- in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree;

b) the fair value of the identifiable assets acquired net of the identifiable liabilities assumed, measured at the date of acquisition of control.

IFRS 3 requires, inter alia, the following:

- incidental costs incurred in connection with a business combination to be charged to the separate income statements;
- in a business combination achieved in stages, the acquirer to remeasure its previously held equity interest in the acquiree at its fair value at the date of acquisition of control and recognize the resulting gain or loss, if any, in the separate income statements.

Goodwill is classified in the statement of financial position as an intangible asset with an indefinite useful life.

Goodwill initially recognized is subsequently reduced only by cumulative impairment losses (for more details, see the section "Impairment of intangible assets, tangible assets and rights of use assets - Goodwill", below). In case of loss of control of a subsidiary, the relative amount of goodwill is taken into account in calculating the gain or loss on disposal.

Development costs

Costs incurred internally for the development of new products and services represent either intangible assets (mainly costs for software development) or tangible assets. These costs are capitalized only when all the following conditions are satisfied: i) the cost attributable to the development phase of the asset can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to complete the asset and make it available for use or sale, and iii) it can be demonstrated that the asset will be able to generate future economic benefits. Capitalized development costs comprise only incurred expenditures that can be attributed directly to the development process for new products and services.

Capitalized development costs are amortized/depreciated systematically over the estimated product or service life, so that the amortization method reflects the way in which the asset's future economic benefits are expected to be consumed by the entity.

Other intangible assets with a finite useful life

Other purchased or internally-generated intangible assets with a finite useful life are recognized as assets, in accordance with IAS 38 (Intangible Assets), when the use of the asset is likely to generate future economic benefits and when the cost of the asset can be reliably measured.

Such assets are recorded at purchase or production cost and amortized on a straight-line basis over their estimated useful lives; the amortization rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Tangible assets

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property, plant and equipment. All other expenditures are recognized in the separate consolidated income statement as incurred.

The cost of these assets also includes the expected costs of dismantling the asset and restoring the site, if a legal or constructive obligation exists. The corresponding liability is recognized at its present value in a provision for risks and charges in the liabilities. The recognition in the separate consolidated income statement of the capitalized expenditure is done over the useful life of the related tangible assets through their depreciation.

The calculation of estimates for dismantling costs, discount rates and the dates in which such costs are expected to be incurred is reviewed annually at each financial year-end. Changes in the above liability must be recognized as an increase or decrease of the cost of the relative asset; the amount deducted from the cost of the asset must not exceed its carrying amount. The excess, if any, is recorded immediately in the separate consolidated income statement, conventionally under the line item "Depreciation".

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate consolidated income statement.

Land, including land pertaining to buildings, is not depreciated.

Rights of use assets

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.

On the commencement date of the lease, the right of use is recognized at cost including: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, initial direct costs incurred for the signature of the lease and the present value of the estimated restoration and dismantling costs set out in the lease, less any incentives.

Subsequently, the right of use is amortized over the term of the lease (or the useful life of the asset, if lower), subject to impairment and adjusted for any remeasurement of the lease liability.

It is specified that starting January 1, 2021, the TIM Group has attracted, under the scope of application of IFRS 16, if the criteria and the requirements laid down by the standard are met, the new contract types concerning cloud software resources and the spectrum of transmission frequencies on optic fiber carriers. This approach is functional to the very innovative specificity of these types of contract, concerning hardware infrastructure and optical transmission as well as technologically-advanced software services.

Capitalized borrowing costs

Under IAS 23 (*Borrowing Costs*), the Group capitalizes borrowing costs only if they are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time (conventionally more than 12 months) to get ready for its intended use or sale.

Capitalized borrowing costs are recorded in the separate consolidated income statement and deducted directly from the "finance expense" line item to which they relate.

Impairment of intangible, tangible and rights of use assets

Goodwill

Goodwill is tested for impairment at least annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired, as set forth in IAS 36 (Impairment of Assets); however, when the conditions that gave rise to an impairment loss no longer exist, the original amount of goodwill is not reinstated.

The test is generally conducted at the end of every year, so the date of testing is the year-end closing date of the financial statements. Goodwill acquired and allocated during the year is tested for impairment at the end of the year in which the acquisition and allocation took place.

For the purpose of verifying its recoverability, goodwill is allocated, from the acquisition date, to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the combination.

If the carrying amount of the cash-generating unit (or group of cash-generating units) exceeds the recoverable amount, an impairment loss is recognized in the separate consolidated income statement. The impairment loss is first recognized as a deduction of the carrying amount of goodwill allocated to the cash-generating unit (or group of cash-generating units) and only subsequently applied to the other assets of the cash-generating unit in proportion to their carrying amount, up to the recoverable amount of the assets with a finite useful life. The recoverable amount of a cash-generating unit (or group of cash-generating units) to which goodwill is allocated is the higher between the fair value less costs to sell and its value in use.

The fair value net of disposal costs is estimated on the basis of the income approach, insofar as this allows for the reflection of the benefits deriving from a new, different business structure in the future. In particular, the fair value net of disposal costs is based on the current value of the forecast cash flow, applying a discounting rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value.

In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon between three and five years, as well as those extrapolated to estimate the terminal value. The long-term growth rate used to estimate the terminal value of the cash-generating unit (or group of cash-generating units) is assumed not to be higher than the average long-term growth rate of the segment, country or market in which the cash-generating unit (or group of cash-generating units) operates.

The value in use of cash-generating units denominated in foreign currency is estimated in the local currency by discounting cash flows to present value on the basis of an appropriate rate for that currency. The present value obtained is translated to euro at the spot rate on the date of the impairment test (in the case of the TIM Group, the closing date of the financial statements).

Future cash flows are estimated by referring to the current operating conditions of the cash-generating unit (or group of cash-generating units) and, therefore, do not include either benefits originating from future restructuring for which the entity is not yet committed, or future investments for the improvement or optimization of the cash-generating unit.

For the purpose of calculating impairment, the carrying amount of the cash-generating unit is established based on the same criteria used to determine the recoverable amount of the cash-generating unit, excluding

surplus assets (that is, financial assets, deferred tax assets and net non-current assets held for sale) and includes the goodwill attributable to non-controlling interest (minority shareholders).

After conducting the goodwill impairment test for the cash-generating unit (or groups of cash-generating units), a second level of impairment testing is carried out which includes the corporate assets which do not generate positive cash flows and which cannot be allocated by a reasonable and consistent criterion to the single units. At this second level, the total recoverable amount of all cash-generating units (or groups of cash-generating units) is compared to the carrying amount of all cash-generating units (or groups of cash-generating units), including also those cash-generating units to which no goodwill was allocated, and the corporate assets.

Tangible and intangible assets with finite useful lives and rights of use assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset – whether intangible or tangible with finite useful lives or a right-of-use – may be impaired. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical deterioration, and significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include the market value of the asset, any changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments, and an excess of the carrying amount of the net assets of the Group over market capitalization.

If there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired, then its carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or right. If it is not possible to estimate the recoverable amount, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate consolidated income statement.

When the reasons for the impairment subsequently cease to exist, the carrying value of the asset/right-of-use or of the cash generating unit is increased up to the new estimate of the recoverable amount which, however, cannot exceed the amount that would have been determined had no impairment loss been recognized. The reversal of an impairment loss is recognized as income in the separate consolidated income statement.

Financial instruments

Business models for financial assets management

For the management of trade receivables, TIM Group Management has identified different business models based on the specific nature of the receivables, the type of counterparty and collection times, this was in order to optimize the management of working capital through the constant monitoring of the payment performance of customers, the steering of credit collection policies, and the management of programs for the disposal of receivables, and the activation of factoring consistent with financial planning requirements.

The business models adopted are:

- Hold to Collect: receivables usually held to maturity, such as trade receivables due from large customers and the OLOs for the Domestic Business Unit, and all receivables for the Brazil Business Unit; these instruments fall within the IFRS 9 category “Assets measured at amortized cost”. These receivables can be transferred, albeit not recurrently, if this is needed to optimize finances;
- Hold to Collect and Sell: receivables usually traded massively and on a recurring basis, such as, for the Domestic Business Unit, receivables due from active consumer, small and business customers held for sale; these instruments fall under the IFRS 9 category "Financial assets measured at fair value through other comprehensive income". As required by IFRS 9, the related reserve is reversed to the separate consolidated income statement when disposed of or impaired.

As part of managing financial assets other than trade receivables, the TIM Group's Management identified its business models on the basis of how the financial instruments are managed and how their cash flows are used. This is done to ensure an adequate level of financial flexibility and to best manage, in terms of risks and returns, the financial resources immediately available through the treasuries of Group companies and in accordance with the strategies set forth by the Parent TIM.

The business models adopted are:

- Hold to Collect: financial instruments used to absorb temporary cash surpluses; such instruments are low risk and mostly held to maturity; they are measured at amortized cost;
- Hold to Collect and Sell: monetary or debt instruments used to absorb short/medium-term cash surpluses; such instruments are low risk and generally held to maturity, or otherwise sold to cover specific cash requirements; they are measured at fair value through other consolidated comprehensive income;
- Hold to Sell: monetary, debt and equity trading instruments used to dynamically manage cash surpluses not managed under the business models identified above; such instruments are higher risk and traded repeatedly over time; they are measured at fair value through the separate consolidated income statement.

Other investments

Other investments (other than those in subsidiaries, associates and joint ventures) are classified as non-current or current assets if they will be kept in the Group's portfolio for a period of more or not more than 12 months, respectively.

Other investments are classified as “financial assets measured at fair value through consolidated profit or loss” (FVTPL), as current assets.

At the purchase time of each investment, IFRS 9 provides for the irrevocable option to recognize these investments in "financial assets measured at fair value through other consolidated comprehensive income" (FVTOCI) as non-current or current assets.

The other investments classified as “financial assets measured at fair value through other comprehensive income” are measured at fair value; changes in the fair value of these investments are recognized in a special equity reserve under the other components of the statements of comprehensive income (Reserve for financial assets measured at fair value through other comprehensive income), without reclassification to the separate income statements when the financial asset is disposed of or impaired. Dividends are recognized in the separate consolidated income statement.

Changes in the value of other investments classified as "financial assets at fair value through profit or loss" are recognized directly in the separate consolidated income statement.

Securities other than investments

Securities other than investments, included among non-current or current assets, depending on the business model adopted and the contractual flows envisaged, fall among financial assets measured at amortized cost, or measured at fair value through other comprehensive income or at fair value though profit or loss.

Securities other than investments classified as current assets are those that, by decision of the directors, are intended to be kept in the Group's portfolio for a period of not more than 12 months, and are classified:

- as "financial assets measured at amortized cost" (AC) when held to maturity (originally more than 3 months but less than 12 months, or, although they had an original maturity of more than 12 months, they have been bought in a period during which maturity was included between 3 and 12 months);
- as "financial assets measured at fair value through other consolidated comprehensive income" (FVTOCI) when held in the scope of a business model whose objective is to sell the financial asset and/or collect the contractual cash flows. The consolidated "Reserve for financial assets measured at fair value through other comprehensive income" is reversed to the separate consolidated income statement when the financial asset is disposed of or impaired;
- as “financial assets measured at fair value through consolidated profit or loss" (FVTPL) in the other cases.

Cash and cash equivalents

Cash and cash equivalents are recorded, according to their nature, at nominal value or amortized cost.

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value and their original maturity or the remaining maturity at the date of purchase does not exceed 3 months.

Impairment of financial assets

At every closing date, assessments are made as to whether there is any objective evidence that a financial asset or a group of financial assets has been impaired.

The impairment of financial assets is based on the expected credit loss model.

In particular:

- impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions;
- the impairment of financial assets other than trade receivables is calculated on the basis of a general model which estimates expected credit losses over the following 12 months or over the residual life of the asset in the event of a substantial worsening of its credit risk.

Derivative financial instruments

As allowed by IFRS 9, the TIM Group decided to continue to apply the hedge accounting provisions contained in IAS 39 instead of those of IFRS 9.

Derivatives are used by the TIM Group to manage its exposure to exchange rate and interest rate risks and to diversify the parameters of debt, so that costs and volatility can be reduced within pre-established operational limits.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when:

- at the inception of the hedge, the hedging relationship is formally designated and documented;
- the hedge is expected to be highly effective;
- its effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at fair value in accordance with IAS 39.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- Fair value hedge – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of an asset or liability due to a particular risk, the gain or loss from re-measuring the hedging instrument at fair value is recognized in the separate consolidated income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the separate consolidated income statement.
- Cash flow hedge – Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of an asset or liability or a highly probable expected transaction, the effective portion of any gain or loss arising from the fair value adjustment of the derivative financial instrument is recognized directly in a specific equity reserve (Reserve for fair value adjustment of hedging derivative instruments). The cumulative gain or loss is removed from equity and recognized in the separate consolidated income statement during the same business years in which the hedged transaction is recognized in the separate consolidated income statement. The gain or loss associated with the ineffective portion of a hedge is recognized in the separate consolidated income statement immediately. If the hedged transaction is no longer considered to be probable, the gains or losses not yet realized included in the equity reserve are immediately recognized in the separate consolidated income statement.

For derivatives for which a hedging relationship has not been designated, changes in value compared to initial recognition are recognized directly in the separate consolidated income statement.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on assignments of receivables where the assignment does not transfer substantially all the risks and rewards, as well as other financial liabilities, including derivative financial instruments and liabilities in respect of assets recognized under finance leases recognized in accordance with IFRS 16.

In accordance with IFRS 9, they also include trade and other payables.

Reverse factoring transactions are also classified under trade payables. The TIM Group has reverse factoring agreements in place through which TIM gives its bank partners a mandate to pay its suppliers as invoices become due. Suppliers participating in these programs have the rights to sell (without any cost for the TIM Group) receivables due from the Group. They can exercise this right at their total discretion and incurring all the costs to benefit from collection before the contractual due date.

Financial liabilities other than derivatives are initially recognized at fair value and subsequently measured at amortized cost.

Financial liabilities hedged by derivative instruments designed to manage exposure to changes in the value of liabilities (fair value hedge derivatives) are measured at fair value in accordance with the hedge accounting principles of IAS 39: the gains and losses deriving from subsequent fair value adjustments, only as regards the covered component, are recognized in the separate consolidated income statement and counterbalanced by the effective portion of the gain or loss deriving from the corresponding fair value measurements of the hedge instrument.

Financial liabilities hedged by derivative instruments designed to manage exposure to variability in cash flows (cash flow hedge derivatives) are measured at amortized cost in accordance with the hedge accounting principles of IAS 39.

Transfer of receivables

The TIM Group transfers receivables through factoring and securitization agreements. These transfers, in the majority of cases, are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, therefore meeting the requirements of IFRS 9 for derecognition. Special service agreements, under which the purchasers grant TIM S.p.A. a mandate to oversee the collection and management of receivables, have been entered into to maintain the relationship between the Company and its customers.

Inventories

Inventories are measured at the lower of purchase or production cost and estimated realizable value; the cost is determined using the weighted average cost formula for each movement, while the estimated realizable value is determined by observing general prices at the end of the year. Provision is made for obsolete and slow-moving inventories based on their expected future use and estimated realizable value.

Non-current assets held for sale/Discontinued operations

Non-current assets held for sale or discontinued groups whose carrying amount will mainly be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from other assets and liabilities in the consolidated statements of financial position. The corresponding amounts for the previous year are not reclassified in the consolidated statements of financial position, but are instead shown separately in a specific column for changes in assets and liabilities in the year in which non-current assets held for sale or discontinued groups are classified as such.

Discontinued operations are a component of an entity that has been terminated or classified as held for sale and that:

- represents a major business line or geographical area of operation; or

- is part of a single coordinated plan to discontinue a separate major line of business or geographical area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

The results arising from Discontinued Operations – whether discontinued or classified as held for sale – are shown separately in the separate consolidated income statement, net of tax effects. The corresponding values for the previous periods, where present, are reclassified and reported separately in the separate consolidated income statement, net of tax effects, for comparative purposes.

Non-current assets held for sale or discontinued groups classified as held for sale are first recognized in compliance with the appropriate IFRS applicable to each specific asset and liability, and subsequently measured at the lower of the carrying amount and fair value, less cost to sell.

Any subsequent impairment losses are recognized as a direct adjustment to non-current assets (or discontinued groups) classified as held for sale, with a contraentry in the separate consolidated income statement.

An upward revision of value is, instead, recognized for each subsequent increase in the fair value of an asset less cost to sell, but not in excess of the previously recognized cumulative impairment loss.

As required by IFRS 5 (Non-current assets held for sale and discontinued operations), an entity shall not depreciate (or amortize) non-current assets classified as held for sale or being part of a discontinued group.

Finance expenses and other expenses attributable to the liabilities of a discontinued group classified as held for sale must continue to be recognized.

Employee benefits

Provision for employee severance indemnity

Employee severance indemnity, mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is deferred compensation based on the employee's years of service and on the compensation earned by the employee during the service period.

Under IAS 19 (Employee Benefits), the employee severance indemnity, so calculated, is considered a "Defined benefit plan" and the related liability to be recognized in the statement of financial position (Provision for employee severance indemnities) is determined by actuarial calculations.

The remeasurements of actuarial gains and losses are recognized in other components of the Consolidated Statements of Comprehensive income. Service cost of Italian companies that employ less than 50 employees, as well as interest expenses related to the "time value" component of the actuarial calculations (the latter classified as Finance expenses), are recognized in the separate consolidated income statement.

Starting from January 1, 2007, the Italian Law gave employees the choice to either allocate their accruing indemnity to supplementary pension funds or it as an obligation of the Company. Companies that employ at least 50 employees must transfer the employee severance indemnity to the "Treasury fund" managed by INPS, the Italian Social Security Institute. Consequently, the Group's obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19, of "Defined contribution plans".

Equity compensation plans

The companies of the Group provide additional benefits to certain managers of the Group through equity compensation plans (for example stock options and long-term incentive plans). The above plans are recognized in accordance with IFRS 2 (Share-Based Payment).

In accordance with IFRS 2, such plans represent a component of the beneficiaries' compensation. Therefore, for the plans that provide for compensation in equity instruments, the cost is represented by the fair value of such instruments at the grant date, and is recognized in the separate consolidated income statement in "Employee benefits expenses" over the period between the grant date and vesting date with a contra-entry to an equity reserve denominated "Other equity instruments". Changes in the fair value subsequent to the grant date do not affect the initial measurement. At the end of each year, adjustments are made to the estimate of the number of rights that will vest up to expiry. The impact of the change in estimate is recorded as an adjustment to "Other equity instruments" with a contra-entry to "Employee benefits expenses".

The portion of the plans that specifies the payment of compensation in cash is recognized in liabilities as a contra-entry to "Employee benefits expenses"; at the end of each year said liability is measured at fair value.

Provisions

The Group records provisions for risks and charges when, having a current legal or constructive obligation to a third party, as a result of a past event, an outflow of Group resources is likely to be required to meet that obligation, and when the amount of the obligation can be estimated reliably. Provisions for risks and charges also include those established in the event that the company should stipulate contracts that thereafter became onerous, the non-discretionary costs of which necessary to fulfill the commitments made, exceeding the economic benefits expected from such contracts.

When the effect of the time value is material and the payment date of the obligations can be reasonably estimated, the provision is determined by discounting the given expected cash flows by taking into account the risks associated with the obligation. The increase in the provision due to the passage of time is recognized in the separate consolidated income statement as "Finance expenses".

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and that the Group will satisfy all the conditions established for their granting by the government, government agencies and equivalent local, national or international entities.

Government grants are systematically recognized in the separate income statement over the periods in which the Group recognizes the expenses that the grants are intended to offset as costs.

Government grants related to assets received for the acquisition and/or construction of non-current tangible assets are recorded as deferred income in the statement of financial position and systematically credited to the separate income statement over the useful life of the systems the grants relate to.

Treasury shares

Treasury shares are recognized as a deduction from equity. In particular, the treasury shares are reported as a deduction from the share capital issued in the amount corresponding to the "accounting par value", that is the ratio of total share capital and the number of issued shares, while the excess cost of acquisition over the accounting par value is presented as a deduction from "Other reserves and retained earnings (accumulated losses), including profit (loss) for the year".

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the statement of financial position date. Exchange differences arising from the settlement of monetary items or from their conversion at rates different from those at which they were initially recorded during the year or at the end of the prior year are recognized in the separate consolidated income statement.

Revenues

Revenues are the gross inflows of economic benefits during the period arising in the course of the ordinary activities of an entity. Amounts collected on behalf of third parties, such as sales taxes, goods and services taxes and value added taxes, are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenues.

The process underlying the recognition of revenues follows the steps set out in IFRS 15:

- **identification of the contract:** this takes place when the parties approve the contract (with commercial substance) and identify the respective rights and obligations: in other terms, the contract must be legally binding, the rights to receive goods and/or services and the terms of payment can be clearly identified, and the Group considers receipt of payment as probable;
- **identification of the performance obligations**: the main performance obligations identified, i.e. promises to transfer goods and services that are distinct, are services rendered (including voice and data traffic and ICT solutions) to retail customers, services rendered to wholesale customers, and sale of products;
- **determination of the transaction price**: this is the total amount contracted with the other party regarding the entire contractual term; the Group has determined that the contractual term is the one arising from the contractual obligations between the parties or, in lack of these obligations, it is by convention one month;
- **allocation of the transaction price to the performance obligations**: the allocation is made proportionately to the respective stand-alone selling prices calculated based on the list prices (if present) or estimated by applying an appropriate margin to the cost of purchase/production of the good/service.

  Revenues from activating the connectivity service are not a performance obligation; they are therefore allocated to the contractual performance obligations (typically to services).
  For offerings which include the sale of devices and service contracts (bundle offerings), the Group allocates the contractual transaction price to the performance obligations of the contract, proportionately to the stand-alone selling prices of the single performance obligations;
- **recognition of revenues**: revenues are stated net of discounts, allowances, and returns in connection with the characteristics of the type of revenue:
  - **Revenues from services rendered**

    Revenues from services rendered are recognized in the separate income statements according to the stage of completion of the service, that is based on actual consumption.
    Traffic revenues from interconnection and roaming are reported gross of the amounts due to other TLC operators.
    Revenues for delivering information or other content are recognized on the basis of the amount invoiced to the customer, when the service is rendered directly by the Group. In the event that the Group is acting as agent (for example, for non-geographic numbers) only the commission received from the content provider is recognized as revenue.
    Revenues from prepaid traffic are recorded on the basis of effective consumption. Deferred revenues for traffic already collected but not yet consumed are recorded in "Trade and miscellaneous payables and other current liabilities" in the consolidated statements of financial position.
    Revenues for services rendered are generally invoiced and collected bimonthly/monthly for retail customers while for wholesale customers, they are invoiced on a monthly basis and due 40 or 60 days after the date of issue, depending on whether they relate to the mobile component (40 days) or fixed component (60 days).

- **Revenues from sales**

  Revenues from sales (telephone products and others) are recognized upon delivery when control of the assets is transferred to the customers.
  The devices sold separately from the services are invoiced at the time of delivery; collection takes place on demand or based on installment plans (up to 48 monthly installments). The devices sold as part of bundle offerings are invoiced at the time of delivery and usually collected in 24, 30 or 48 monthly installments, depending on the type of offer and customer cluster. With specific reference to the mobile products sold to consumer customers, collection is made at the time of sale through the financial company TIMFin, which disburses the loan to the customer.

The recognition of revenues can generate the recognition of an asset or liability deriving from contracts. In particular:

- **Contract assets** are the right to a consideration in exchange for goods or services that have been transferred to the customer, when the right is conditioned on something other than the passage of time.
- **Contract liabilities** are the obligation to transfer goods or services to the customer for which the Group has received (or for which it is due) a consideration from the customer.

Contract costs (incremental costs of obtaining a contract and costs to fulfill a contract; mainly technical activation costs and costs for sales network commissions) are deferred and recognized through separate consolidated income statement depending on the expected term of the contractual relationship with the customers. The TIM Group avails of the practical expedient, permitted under IFRS 15, of recognizing the incremental costs of obtaining a contract in the consolidated income statement if the amortization period is one year or less.

The recoverability of contract assets and deferred costs is periodically assessed.

Research and advertising costs

Research and advertising costs are directly expensed to the separate consolidated income statement in the year in which they are incurred.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include: interest accrued on the related financial assets and liabilities using the effective interest rate method; changes in the fair value of derivatives and other financial instruments measured at fair value through the income statement; gains and losses on foreign exchange and financial instruments (including derivatives).

Dividends

Dividends received from companies other than subsidiaries, associates and joint ventures are recognized in the separate consolidated income statement on an accrual basis, i.e. in the year in which they become receivable following the resolution by the shareholders' meeting for the distribution of dividends of the investee companies.
Dividends payable to third parties are reported as a change in equity in the year in which they are approved by the shareholders' meeting.

Income tax expense (current and deferred)

Income taxes include all taxes calculated on the basis of the taxable income of the companies of the Group.

Current and deferred income taxes are calculated using all the elements and information available at the reporting date, taking into account current laws and considering all the elements that could give rise to uncertainties in the determination of the amounts due to the tax authorities, as provided for in IFRIC 23.

Income taxes are recognized in the separate consolidated income statement, except to the extent that they relate to items directly charged or credited to equity, in which case the related tax effect is recognized in the relevant equity reserves. The amount of the income tax expense relating to each item included as "Other components of the Consolidated Statements of Comprehensive income" is indicated in the Consolidated Statement of comprehensive income.

The provisions for taxes that could arise from the remittance of the undistributed earnings of subsidiaries are made only where there is the actual intention to remit such earnings.

Deferred tax liabilities / assets are recognized using the "Balance sheet liability method". They are calculated on all the temporary differences that arise between the taxable base of assets and liabilities and the related carrying amounts in the consolidated financial statements, except for differences arising from investments in subsidiaries that are not expected to reverse in the foreseeable future. Deferred tax assets relating to unused tax loss carryforwards are recognized to the extent that it is probable that future taxable income will be available against which they can be utilized. Tax assets and liabilities are offset, separately for current and deferred taxes, when income taxes are levied by the same tax authority and when there is a legally enforceable offsetting right. Prepaid tax assets and deferred tax liabilities are determined by adopting the tax rates expected to be applicable in the respective jurisdictions of the countries in which the Group companies operate, in the years in which those temporary differences are expected to be recovered or settled.

The other taxes, other than income taxes, are included in "Other operating expenses".

Earnings per share

Basic earnings per ordinary share is calculated by dividing the Group's profit attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year, and excluding treasury shares. Similarly, basic earnings per savings share is calculated by dividing the Group's profit attributable to savings shares by the weighted average number of savings shares outstanding during the year.

For diluted earnings per ordinary share, the weighted average number of shares outstanding during the year is adjusted by assuming the subscription of all the potential deriving shares - for example, by exercising rights on shares with dilutive effects. The Group profit is also adjusted to reflect the impact of these transactions net of the related tax effects.

Use of accounting estimates

The preparation of consolidated financial statements and related disclosure in conformity with IFRS requires management to make estimates and assumptions based also on subjective judgments, past experience and assumptions considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as on the amount of revenues and costs during the year. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.

The most significant accounting estimates that involve a high level of subjective assumptions and judgments by directors are set out below.

Financial statements area	**Accounting estimates**
Goodwill impairment	The impairment test on goodwill is carried out by comparing the carrying amount of cash-generating units and their recoverable amount. The recoverable amount of a cash-generating unit is the higher of fair value, less costs to sell, and its value in use. This complex valuation process entails the use of methods such as the discounted cash flow method, which uses assumptions to estimate cash flows. The fair value net of disposal costs is based on the current value of forecast cash flow, calculated using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected future cash flows and the growth rate used for the extrapolation. The key assumptions used to determine the recoverable amount for the different cash-generating units, including a sensitivity analysis, are detailed in the Note "Goodwill".
Impairment of tangible and intangible assets with finite useful lives and right of use assets	At the end of each reporting period, the Group assesses whether there is any indication that an asset – whether tangible or intangible with finite useful lives or a right-of-use – has been impaired. Both internal and external sources of information are used for this purpose. Identifying the impairment indicators, estimating future cash flows and calculating the fair value of each asset requires the Management to make significant estimates and assumptions in calculating the discount rate to be used, and the useful life and residual value of the assets. These estimates can have a significant impact on the fair value of the assets and on the amount of any impairment write-down.
Business combinations	The recognition of business combinations requires that assets and liabilities of the acquiree be recorded at their fair value at the control acquisition date, as well as the possible recognition of goodwill. These values are determined through a complex estimation process.
Lease liabilities and rights of use assets	The value of lease liabilities and corresponding rights of use is determined by calculating the present value of the lease payments, also bearing in mind whether the renewal of the lease is reasonably certain.
Capitalization/deferment of costs	The capitalization/deferment of internal and external costs is a process that entails elements of estimation and valuation. Specifically, it involves the valuation of: i) the likelihood that capitalized costs will be recovered through correlated future revenues; and ii) the effective increase in the future economic benefits embodied in the related asset.
Provision for bad debts	Impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions.
Depreciation and amortization	Changes in the economic conditions of the markets, technology and competitive forces could significantly affect the estimated useful lives of tangible and intangible non-current assets and may lead to a difference in the timing, and thus on the amount of depreciation and amortization expense.

Accruals, contingent liabilities and provisions for employee benefits	As regards the provisions for restoration costs, the estimate of future costs to dismantle tangible assets and restore the site is a complex process that requires the valuation of the liabilities arising from such dismantling and restoration obligations, which seldom are entirely defined by laws, administrative regulations or contract clauses, and which normally are to be complied with after an interval of several years. The accruals related to legal, arbitration and fiscal disputes, as well as regulatory proceedings, are the result of a complex estimation process based upon the probability of an unfavorable outcome. Provisions for employee benefits, especially the provision for employee severance indemnities, are calculated using actuarial assumptions; changes in such assumptions could have a material impact on such liabilities. Provisions made for contractual risks are also related to any contracts that may have become onerous and are based on an articulated estimation process that envisages the valuation of the comprehensive negative margins of the entire contract; they therefore include the non-discretionary costs necessary to fulfill the commitments made that exceed the economic benefits expected from such contracts.
Revenues	The recognition of revenues is influenced by estimates of the amount of discounts, rebates and returns to be reported as a direct adjustment to revenues, as well as the methods for defining individual product or service stand-alone selling prices and for determining the duration of the contract when there are renewal options.
Contract costs (IFRS 15)	The recognition of the costs of obtaining and fulfilling contracts is influenced by the estimated expected duration of the relationship with the customer, calculated on the basis of the historical turnover indexes and future estimates. However, this estimate is subject to fluctuations and could only represent customers' future behavior in a limited way, especially if there are new commercial offers or changes in the competitive environment.
Income tax expense (current and deferred)	Income tax expense (current and deferred) are calculated in each country in which the Group operates according to a prudent interpretation of the applicable tax laws. This process sometimes involves complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized to the extent that future taxable income will be available against which they can be recovered. The measurement of the recoverability of deferred tax assets, recognized based on both unused tax loss carry-forwards to future years and deductible temporary differences, takes into account the estimate of future taxable income and is based on conservative tax planning.
Derivative instruments and equity instruments	The fair value of derivative instruments and equity instruments is determined both using valuation models which also take into account subjective measurements such as, for example, cash flow estimates, expected volatility of prices, etc., and on the basis of prices existing in regulated markets or quotations provided by financial counterparts. For further details refer to the Note "Supplementary disclosures on financial instruments".

As per IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) paragraph 10, in the absence of a standard or interpretation that specifically applies to a transaction, the Management shall use its judgment in developing and applying an accounting policy that results in consolidated financial statements that represent faithfully the financial position, financial performance and cash flows of the Group, reflect the economic substance of transactions, and are neutral, prudential and complete in all material aspects.

New standards and interpretations endorsed by the EU and in force from January 1, 2021

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the following is a brief description of the IFRS in force commencing as of January 1, 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Reform of the interest rates benchmark - Phase 2

On January 13, 2021, Regulation (EU) no. 2021/25 was issued, which incorporated a set of amendments to the IFRSs relating to the reform of the interbanking rates offered (IBOR) and other interest rate benchmarks. The amendments aim to help the entities to provide investors with useful information on the effects of the reform on the entities' financial statements.
The amendments integrate those issued in 2019 and focus on the effects of the financial statements when an entity replaces the old interest rate benchmark with an alternative benchmark rate following the reform.
The changes during this final phase regard:

a. changes to contractual cash flows - an entity shall not eliminate or rectify the carrying amount of the financial instruments following the amendments required by the reform, but must instead add the effective interest rate to reflect the change in the alternative benchmark rate;
b. hedge accounting - an entity shall not stop booking the hedges only because the changes have been made to the hedging documentation as required by the reform, if the hedge continues to meet the other criteria for booking the hedge;
c. disclosure: an entity shall disclose information on the new risks deriving from the reform and on how it manages the transition to alternative benchmark rates.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2021.

Amendments to IFRS 16 Leases: COVID-19-related rent concessions beyond June 30, 2021

On August 30, 2021, Regulation (EU) 2021/1421 was issued, endorsing the extension by one year of the period of application of the practical expedient of IFRS 16 Leases, to assist lessees in accounting for COVID-19-related rent concessions.

In response to requests from interested parties, and because the COVID-19 pandemic is still at its peak, the IASB has extended, by an additional year, this method of accounting for rental concessions that reduce only lease payments due by June 30, 2022.

The original amendment was issued in May 2020 to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of the COVID-19 pandemic. The amendment takes effect for financial years starting on or after April 1, 2021.

The adoption of these amendments had no effect on the consolidated financial statements at December 31, 2021.

New Standards and Interpretations issued by the IASB but not yet applicable

At the date of preparation of these consolidated financial statements, the IASB had issued the following new Standards and Interpretations which have not yet come into force and have not yet been endorsed by the EU:

	Mandatory application starting from
New Standards / Interpretations endorsed by the EU but not yet in force	
Amendments to: IFRS 3 Business combinations; IAS 16 Property, Plant and equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual cycle of improvements 2018-2020	1/01/2022
Amendments to IAS 1 Presentation of Financial Statements: Disclosure on accounting policies	1/01/2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates	1/01/2023
New Standards and Interpretations not yet in force and not yet endorsed by the EU	
Amendments to IAS 12 Income taxes: deferred tax related to assets and liabilities arising from a single transaction	1/01/2023
Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current	1/01/2023

The potential impacts on the Group consolidated financial statements from the application of these standards and interpretations are currently being assessed.

* * *

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, for the purpose of the 2020 financial statements such commercial agreements had no material effect.

In connection with the foregoing, the economic data of the first, second and third quarters of 2021, has been recalculated. The impacts on the items of the income statements for the quarters of 2021 deriving from these refinements, are as follows:

(million euros)	2021		
	1st Quarter	2nd Quarter	3rd Quarter
Revenues	**(24)**	**—**	**(39)**
Acquisition of goods and services	**7**	**—**	**11**
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(17)**	**—**	**(28)**
Operating profit (loss) (EBIT)	**(17)**	**—**	**(28)**
Profit (loss) before tax from continuing operations	**(17)**	**—**	**(28)**
Income tax expense	5	—	8
Profit (loss) for the period	**(12)**	**—**	**(20)**
Attributable to:			
Owners of the Parent	**(12)**	**—**	**(20)**
Non-controlling interests	—	—	—

Cumulative net impacts on equity balances were as follows:

(million euros)	as at 3/31/2021	as at 6/30/2021	as at 9/30/2021
Current and non-current assets			
Trade and miscellaneous receivables and other current assets	(24)	(24)	(63)
Total Assets	**(24)**	**(24)**	**(63)**
Equity			
Equity attributable to owners of the Parent	(12)	(12)	(32)
Total Equity	**(12)**	**(12)**	**(32)**
Non-current and current liabilities			
Deferred tax liabilities	(5)	(5)	(13)
Trade and miscellaneous payables and other current liabilities	(7)	(7)	(18)
Total Equity and Liabilities	**(24)**	**(24)**	**(63)**

The redetermination of the distribution over time of revenues from acquisition of goods and services during the first, second and third quarters of 2021 did not have any impact on the "Aggregate cash flows" of the TIM Group's statements of cash flows and, in particular, on the "Cash flows from (used in) operating activities".

NOTE 3
SCOPE OF CONSOLIDATION

Investments in consolidated subsidiaries

Composition of the Group

TIM holds a majority of the voting rights in all the subsidiaries included in the scope of consolidation.
A complete list of consolidated subsidiaries is provided in the Note "List of companies of the TIM Group".

Scope of consolidation

The changes in the scope of consolidation at December 31, 2021 compared to December 31, 2020 are listed below.

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

Company		Business Unit	Month
Entry:			
PANAMA DIGITAL GATEWAY S.A.	New establishment	Domestic	July 2021
TIM SERVIZI DIGITALI S.p.A.	New establishment	Domestic	July 2021
STAER SERVIZI S.r.l.	New acquisition	Domestic	September 2021
OLIVETTI PAYMENT SOLUTIONS S.p.A.	New establishment	Domestic	December 2021
Exit:			
I-SYSTEMS S.A. (formerly FIBERCO SOLUÇÕES DE INFRAESTRUTURA S.A.)	Dilution	Brazil	November 2021
Mergers:			
FLASH FIBER S.r.l.	Merged into FIBERCOP S.p.A.	Domestic	March 2021
TIM TANK S.r.l.	Merged into TELECOM ITALIA VENTURES	Domestic	April 2021
NOOVLE FRANCE Sasu	Merged into NOOVLE S.r.l.	Domestic	July 2021
NOOVLE S.r.l.	Merged into NOOVLE S.p.A.	Domestic	October 2021

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

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

	12/31/2020		
Companies:	**Italy**	**Overseas**	**Total**
subsidiaries consolidated line-by-line	20	46	66
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	10	—	10
Total companies	**32**	**46**	**78**

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

Subsidiaries with a significant non-controlling interest

At December 31, 2021, the TIM Group held investments in subsidiaries, with significant non-controlling interest, in relation to the companies FiberCop S.p.A., Daphne3 S.p.A. and the TIM Brazil group.

The figures provided below, stated before the netting and elimination of intragroup accounts, comply with IFRS and reflect adjustments made at the acquisition date to align the assets and liabilities acquired to their fair value.

FiberCop S.p.A. - Domestic Business Unit

Non-controlling interest accounted at December 31, 2021 for 42.0% of the capital of FiberCop S.p.A., coinciding with the corresponding voting rights.

FiberCop S.p.A. - financial position data

(million euros)	12/31/2021	12/31/2020
Non-current assets	8,441	—
Current assets	471	—
Total Assets	**8,912**	**—**
Non-current liabilities	3,293	—
Current liabilities	551	—
Total Liabilities	**3,844**	**—**
Equity	**5,068**	**—**
of which Non-Controlling Interests	*2,129*	—

FiberCop S.p.A. - income data

(million euros)	2021	2020
Revenues	978	—
Profit (loss) for the year	**321**	**—**
of which Non-Controlling Interests	*135*	—

FiberCop S.p.A. - financial data

Aggregate cash flows generated in 2021 amounted to 75 million euros.

Daphne 3 S.p.A. - Domestic Business Unit

Non-controlling interest accounted at December 31, 2021 for 49.0% of the capital of Daphne 3 S.p.A., coinciding with the corresponding voting rights.

Daphne 3 S.p.A. - financial position data

(million euros)	12/31/2021	12/31/2020
Non-current assets	2,746	2,746
Current assets	1	—
Total Assets	**2,747**	**2,746**
Non-current liabilities	1	—
Current liabilities	—	—
Total Liabilities	**1**	**—**
Equity	**2,746**	**2,746**
of which Non-Controlling Interests	*1,346*	*1,345*

Daphne 3 S.p.A. - income data

(million euros)	2021	2020
Revenues	—	—
Profit (loss) for the year	**86**	**—**
of which Non-Controlling Interests	*42*	—

Daphne 3 S.p.A. - financial data

Aggregate cash flows generated in 2021 amounted to 1 million euros (0.1 million euros in 2020).

TIM Brasil group – Brazil Business Unit

Non-controlling interest accounted at December 31, 2021 for 33.4% of the capital of TIM S.A., coinciding with the corresponding voting rights.

Financial position data TIM Brasil group

(million euros)	12/31/2021	12/31/2020
Non-current assets	5,787	5,246
Current assets	2,476	1,662
Total Assets	**8,263**	**6,908**
Non-current liabilities	2,159	1,558
Current liabilities	1,751	1,339
Total Liabilities	**3,910**	**2,897**
Equity	**4,353**	**4,011**
of which Non-Controlling Interests	*1,345*	*1,232*

Income statement data TIM Brasil group

(million euros)	2021	2020
Revenues	2,840	2,933
Profit (loss) for the year	**455**	**297**
of which Non-Controlling Interests	*155*	*104*

Financial data of the TIM Brasil group

In 2021 aggregate cash flows generated 416 million euros, with a positive exchange rate effect of 6 million euros.

In 2020, this was negative for 93 million euros, with a negative exchange rate of 151 million euros.

Finally, with regard to the subsidiaries with significant minority interests, in line with the information provided in the Report on Operations - “Main risks and uncertainties” section, the main risk factors that could lead, even significantly, to restrictions on the operations of the TIM Brasil group are listed below:

- Strategic risks (risks related to macroeconomic and political factors, as well as risks associated with foreign exchange restrictions and competition);
- Operational risks (risks related to business continuity and development of the fixed and mobile networks, as well as risks associated with litigation and disputes);
- Financial risks;
- Regulatory and Compliance risks.

NOTE 4
GOODWILL

Goodwill shows the following breakdown and changes for 2020 and 2021:

(million euros)	12/31/2019	Increase	Decrease	Impairments	Exchange differences	12/31/2020
Domestic	22,231	11		—	—	22,242
Brazil	852				(247)	605
Other Operations	—					—
Total	**23,083**	**11**	**—**	**—**	**(247)**	**22,847**

(million euros)	12/31/2020	Increase	Decrease	Impairments	Exchange differences	12/31/2021
Domestic	22,242	2		(4,120)		18,124
Brazil	605		(165)		4	444
Other Operations	—					—
Total	**22,847**	**2**	**(165)**	**(4,120)**	**4**	**18,568**

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.

In 2021, Goodwill fell by 4,279 million euros, from 22,847 million euros at the end of 2020 to 18,568 million euros at December 31, 2021.

More specifically, goodwill for the Domestic Cash Generating Unit drops by 4,120 million euros as a result of the impairment following testing performed at December 31, 2021.

The change for 2021 also includes:

- with reference to the Brazil Cash Generating Unit, a decrease of 165 million euros following the deconsolidation of I-Systems S.A. (formerly FiberCo Soluções de Infraestrutura S.A.), a company set up by the Brazilian subsidiary TIM S.A. for the segregation of its network assets and the provision of infrastructure services. The deconsolidation is a consequence of the completion, in November 2021, of the agreement between TIM S.A. and IHS Fiber Brasil - Cessão de Infraestruturas Ltda. which resulted in the dilution from 100% to 49% of TIM S.A.'s investment in I-Systems S.A.. I-Systems S.A. Is now accounted for using the equity method. In addition, the item increased by 4 million euros due to the positive exchange rate difference relating to the Goodwill of the Cash Generating Unit;
- with reference to the Domestic Cash Generating Unit, an increase of 2 million euros relating to the recognition of provisional goodwill connected with the acquisition by Olivetti S.p.A. of 100% of Staer Sistemi S.r.l. completed in September 2021.

The gross carrying amounts of goodwill and the relative accumulated impairment losses from January 1, 2004 (date of allocation to the Cash-Generating Units – CGUs)) to December 31, 2021 and 2020 can be summarized as follows:

(million euros)	12/31/2021			12/31/2020		
	Gross carrying amount	**Accumulated impairment losses**	**Net carrying amount**	**Gross carrying amount**	**Accumulated impairment losses**	**Net carrying amount**
Domestic	38,689	(20,565)	**18,124**	38,687	(16,445)	**22,242**
Brazil	591	(147)	**444**	751	(146)	**605**
Other Operations	—	—	**—**	—	—	**—**
Total	**39,280**	**(20,712)**	**18,568**	**39,438**	**(16,591)**	**22,847**

The figures for the Brazil CGU are stated in euros, converted at the spot exchange rate at the closing date of the financial statements; the carrying amount of goodwill for the CGU corresponds, at December 31, 2021, to 2,803 million reais (3,854 million reais at December 31, 2020).

The impairment test was carried out on two levels. At a first level, the recoverable amount of the assets attributed to the individual CGUs to which goodwill is allocated was estimated; at a second level, the Group's activities were considered as a whole.

The cash generating units (or groups of units) to which goodwill is allocated are as follows:

Segment	Cash-Generating Units (or groups of units)
Domestic	Domestic
Brazil	Brazil

According to the applicable accounting rules, the "recoverable value" of the CGUs was equal to the higher of "fair value net of disposal costs" and "value in use".

At December 31, 2020, the value configuration used to determine the recoverable amount of the Domestic CGU was the value in use. The value configuration instead used to determine the recoverable amount at December 31, 2021 of the Domestic CGU is the fair value estimated on the basis of the income approach, insofar as this is considered able to best maximize the value of the Group's activities (the "market participant perspective"), also reflecting interventions on costs in view of a potential future new, different business structure.

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

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

For the Domestic CGU, the estimate of fair value on the basis of the income approach was prepared in compliance with IAS 36, valuation principles and best practice, with reference to the flows of the 2022-2024 Industrial Plan, which is based on the final results of 2021: (i) it reflects realistic expectations regarding future evolutions; (ii) it brings into play careful cost cutting actions as preparation for the future business structure; (iii) it maintains the perspective of use of assets of the domestic market continuing on with the same conditions as at 12.31.2021. The expected cash flows reported in the 2022-2024 Industrial Plan approved by the Board of Directors have been critically analyzed and, with the support of expert and industrial appraisers, the average representativity has been assessed. Expected average cash flows for the 2022-2024 Industrial Plan were extrapolated for an additional two years, for which future cash flows were explicitly forecast for a period of five years (2022-2026). The extrapolation of data for 2025-2026 was necessary in order to intercept market, competition and industrial trends that will become manifest beyond the time horizon of the Industrial Plan to be captured. It is specified that where inputs are present that cannot be observed, the fair value thus determined is assigned as level 3 of the fair value hierarchy, as envisaged by IFRS 13 - Fair value measurement.

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

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

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

For the Domestic CGU it was as follows:

- the weighted average cost of capital (WACC rate) used to discount the future cash flows and the equivalent rate before tax;
- the growth rate used to estimate the residual value after the explicit forecast period (the G-Rate), expressed in nominal terms and related to the cash flows in their functional currency;
- details are provided of the implicit capitalization rates resulting from the difference between the cost of capital, after tax, and the G-Rate.

Principal parameters for the estimates of fair value

	Domestic
WACC	5.12 %
WACC before tax	6.71 %
Growth rate beyond the explicit period (g)	0.35 %
Capitalization rate after tax (WACC-g)	4.77 %
Capitalization rate before tax (WACC-g)	6.36 %
Capex/Revenues, perpetual	15.75 %

The growth rate in the terminal value "g" of the Domestic CGU was estimated taking into account the expected evolution of demand for the various business areas, overseen in terms of investments and competences also by the subsidiaries Noovle and FiberCop. The growth rate thus estimated falls within the range of growth rates applied by analysts who monitor TIM shares.
The phase of capital expenditure, competitive positioning and the technological infrastructure operated was taken into account in estimating the level of investment needed to sustain the perpetual development of cash flows after the explicit forecast period.

The recoverable amount determined on the basis of the Fair Value estimated on the basis of the income approach, highlighted a value reduction of 4,120 million euros of goodwill attributed to the Domestic Cash Generating Unit.

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

(million euros)	Domestic	Brazil
Difference between recoverable and net carrying amounts	-4,120	+527

Therefore, in light of the foregoing, in 2021, impairment was seen in the amount of -4,120 million euros relative to the Domestic CGU, while the goodwill values booked in relation to the Brazil CGU are confirmed, showing a positive difference of +527 million euros between the book value and the fair value calculated on the basis of market cap at December 31, 2021.

Relative to the Domestic CGU, a structural deterioration of the relevant parameters and notably the WACC may call for further impairment.

With regard to the Brazil CGU, the change in the price per share, compared to the reference quotation considered for the purposes of the financial statements, which would make the recoverable value equal to the carrying amount is equal to -10.5%.

The second level impairment test, net of the impairment recorded on the Domestic CGU, revealed a recoverable amount that exceeded the book value of the Group's business as a whole, thereby not showing any further need for impairment.

NOTE 5
INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

This item increased by 407 million euros compared to December 31, 2020. The breakdown and movements are as follows:

(million euros)	12/31/2019	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12/31/2020
Industrial patents and intellectual property rights	**2,100**	649	(1,152)			(195)	387	**1,789**
Concessions, licenses, trademarks and similar rights	**4,398**	6	(473)			(288)	2	**3,645**
Other intangible assets	**3**		(2)			(1)	4	**4**
Work in progress and advance payments	**1,166**	542			(1)	(12)	(393)	**1,302**
Total	**7,667**	**1,197**	**(1,627)**	**—**	**(1)**	**(496)**	**—**	**6,740**

(million euros)	12/31/2020	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12/31/2021
Industrial patents and intellectual property rights	**1,789**	731	(1,043)			4	452	**1,933**
Concessions, licenses, trademarks and similar rights	**3,645**	191	(466)			6		**3,376**
Other intangible assets	**4**	1	(2)					**3**
Work in progress and advance payments	**1,302**	963			(3)	3	(430)	**1,835**
Total	**6,740**	**1,886**	**(1,511)**	**—**	**(3)**	**13**	**22**	**7,147**

Investments in 2021 amounted to 1,886 million euros (1,197 million euros in 2020) and included 216 million euros in internally generated assets (231 million euros in 2020). Further details are provided in the Note "Internally generated assets".

Industrial patent rights and intellectual property rights as of December 31, 2021 are essentially represented by application and plant operation software purchased outright and with user licenses, they are amortized over a period of between 2 and 6 years and mainly refer to TIM S.p.A. (1,280 million euros), the Brazil Business Unit (392 million euros) and Noovle S.p.A. (163 million euros).

In 2021, for the Parent Company TIM S.p.A., the launch of the Digital Enterprise project demonstrated the need to verify the actual and future duration of the systems impacted. Therefore, IT applications were analyzed and it was verified that their actual lifecycle amounts to around 6 years. Thus, the amortization period was revised for both fixed and mobile IT software development assets, increasing it from 3 to 6 years. In 2021, this had an impact of around 115 million euros in lesser amortization. In 2022 and 2023 the estimated impact, calculated on the stock of assets at December 31, 2021, amounts to around 69 million euros and around 2 million euros, respectively in lesser amortization.

Concessions, licenses, trademarks and similar rights at December 31, 2021 mainly refer to the residual cost of telephone licenses and similar rights (2,620 million euros for TIM S.p.A. and 716 million euros for the Brazil Business Unit). Compared to December 31, 2020, this item showed a decrease of 269 million euros mainly due to amortization for the year (466 million euros) partially offset by investments for the year (191 million euros) essentially related to the recognition of the value of the 2.3 MHz and 26 GHz frequencies that the TIM Brasil group was awarded in November 2021 and thanks to which it will be able to offer 4G and 5G mobile services. The assignment of the rights to use these frequencies also entailed commercial commitments toward a new entity (EACE- Entidade Administradora da Conectividade de Escolas) which will be responsible for the development of some connectivity projects for Brazilian schools.

The residual amount of telephone licenses and similar rights in operation at December 31, 2021 (3,336 million euros) and their useful lives are detailed below:

Type	Residual amount at 12/31/2021 (million euros)	Useful life (years)	Maturity	Amortization expense for 2021 (million euros)
TIM S.p.A.:				
UMTS	—	18	12/31/2021	134
UMTS 2100 MHz	—	12	12/31/2021	7
WiMax	1	15	05/31/2023	1
LTE 1800 MHz	68	18	12/31/2029	9
LTE 800 MHz	480	17	12/31/2029	60
LTE 2600 MHz	53	17	12/31/2029	7
1452-1492 MHz band	132	14	12/31/2029	16
900 and 1800 MHz band	438	11	12/31/2029	55
3600-3800 MHz band (5G)	1,420	19	12/31/2037	89
26.5-27.5 GHz band (5G)	28	19	12/31/2037	2
TIM Brasil group:				
GSM and 3G (UMTS)	34	15	From 2023 to 2031	20
4G (LTE - 700 MHz)	494	15	2030	62
5G (2.3 GHz and 26 GHz)	188	20	2041	—

Work in progress and advance payments mainly relate to:

- the Parent Company in the amount of 1,375 million euros, including 680 million euros relating to the rights to use the 694-790 MHz (5G) frequencies held by TIM S.p.A. not yet operating and 240 million euros relating to the extension, to December 31, 2029, of the expiry date of the rights to use the 2100 MHz frequency, originally scheduled for December 31, 2021;

- the Brazil Business Unit for 406 million euros, of which 379 million euros relating to the recognition of the value of the 3.5 GHz frequencies that the TIM Brasil group was awarded in November 2021 and thanks to which it will be able to implement mobile services with 5G technology. The allocation of the rights to use these frequencies also entailed commercial commitments toward Empresa Administradora da Faixa (EAF), which will be responsible for the development of infrastructure projects.

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

Depreciation and impairment losses have been recorded in the income statement as components of EBIT.

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2021 and December 31, 2020 can be summarized as follows:

(million euros)	12/31/2020			
	Gross carrying amount	**Accumulated impairment losses**	**Accumulated amortization**	**Net carrying amount**
Industrial patents and intellectual property rights	10,852	—	(9,06	1,789
Concessions, licenses, trademarks and similar rights	8,100	—	(4,45	3,645
Other intangible assets	460	—	(45	4
Work in progress and advance payments	1,302	—		1,302
Total intangible assets with a finite useful life	**20,714**	**—**	**(13,97**	**6,740**

(million euros)	12/31/2021			
	Gross carrying amount	**Accumulated impairment losses**	**Accumulated amortization**	**Net carrying amount**
Industrial patents and intellectual property rights	11,605	—	(9,67	1,933
Concessions, licenses, trademarks and similar rights	8,304	—	(4,92	3,376
Other intangible assets	464	—	(46	3
Work in progress and advance payments	1,835	—		1,835
Total intangible assets with a finite useful life	**22,208**	**—**	**(15,06**	**7,147**

With regard to the gross carrying amounts of intangible assets with a finite useful life, in 2021, disposals of 442 million euros were made by the Parent Company, relating to intellectual property rights, fully amortized, which mainly concerned releases that were obsolete following the introduction of the new ERP S4HANA software system.

NOTE 6
TANGIBLE ASSETS

Property, plant and equipment owned

This item increased by 170 million euros compared to December 31, 2020. The breakdown and movements are as follows:

(million euros)	**12/31/2019**	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	**12/31/2020**
Land	**226**	9			(3)	(3)		**229**
Buildings (civil and industrial)	**577**	18	(35)		(1)	(5)	23	**577**
Plant and equipment	**11,974**	1,491	(2,115)		(7)	(623)	486	**11,206**
Manufacturing and distribution equipment	**26**	4	(11)				3	**22**
Other	**350**	102	(140)		(1)	(36)	34	**309**
Construction in progress and advance payments	**858**	514		(8)	(2)	(34)	(530)	**798**
Total	**14,011**	**2,138**	**(2,301)**	**(8)**	**(14)**	**(701)**	**16**	**13,141**

(million euros)	12/31/2020	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	12/31/2021
Land	**229**	2					1	**232**
Buildings (civil and industrial)	**577**	23	(35)				32	**597**
Plant and equipment	**11,206**	1,885	(2,095)		(30)	21	267	**11,254**
Manufacturing and distribution equipment	**22**	4	(9)				2	**19**
Other	**309**	121	(145)			1	81	**367**
Construction in progress and advance payments	**798**	630	0			2	(588)	**842**
Total	**13,141**	**2,665**	**(2,284)**	**—**	**(30)**	**24**	**(205)**	**13,311**

Land comprises both built-up land and available land and is not subject to depreciation. The figure at December 31, 2021 refers primarily to TIM S.p.A. (187 million euros) and Noovle (32 million euros).

Buildings (civil and industrial) mainly includes buildings for industrial use hosting telephone exchanges, or for office use and light constructions. The balance at December 31, 2021 is mainly attributable to TIM S.p.A. (438 million euros) and Noovle S.p.A. (131 million euros).

The item **Plant and machinery** includes the technological infrastructure used for the provision of telecommunications services (transport and distribution of voice/data traffic). The figure at December 31, 2021 is mainly attributable to TIM S.p.A. (5,911 million euros), to FiberCop S.p.A. (3,469 million euros) and to the Brazil Business Unit (1,501 million euros).

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

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

Tangible assets in progress and advance payments refer to the internal and external costs incurred for the acquisition and internal production of tangible assets, which are not yet in use.

2021 investments include 259 million euros of internally generated assets (271 million euros in 2020); further details are provided in the Note "Internally generated assets".

Depreciation, impairment losses and reversals have been recorded in the income statement as components of EBIT.

Depreciation for the years 2021 and 2020 was calculated on a straight-line basis over the estimated useful lives of the assets according to the following minimum and maximum rates:

Buildings (civil and industrial)	2% - 5.55%
Plant and equipment	3% - 50%
Manufacturing and distribution equipment	20%
Other	10% - 50%

Furthermore, in 2021 depreciation 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).

Other changes included 192 million euros relating to the deconsolidation of the Brazilian company I-Systems S.A. (formerly FiberCo Soluções de Infraestrutura S.A.).

The gross carrying amount, accumulated impairment losses and accumulated depreciation at December 31, 2021 and December 31, 2020 can be summarized as follows:

	12/31/2020			
(million euros)	**Gross carrying amount**	**Accumulated impairment losses**	**Accumulated depreciation**	**Net carrying amount**
Land	232	(3)		229
Buildings (civil and industrial)	1,907	—	(1,330)	577
Plant and equipment	69,814	(12)	(58,596)	11,206
Manufacturing and distribution equipment	324	(1)	(301)	22
Other	3,152	(2)	(2,841)	309
Construction in progress and advance payments	806	(8)		798
Total	**76,235**	**(26)**	**(63,068)**	**13,141**

(million euros)		12/31/2021		
	Gross carrying amount	Accumulated impairment losses	Accumulated depreciation	Net carrying amount
Land	235	(3)		232
Buildings (civil and industrial)	1,960	—	(1,363)	597
Plant and equipment	70,535	(12)	(59,269)	11,254
Manufacturing and distribution equipment	330	(1)	(310)	19
Other	3,305	(2)	(2,936)	367
Construction in progress and advance payments	844	(2)		842
Total	**77,209**	**(20)**	**(63,878)**	**13,311**

With regard to the gross carrying amounts of tangible assets, it is worth mentioning that in 2021, the Parent Company TIM S.p.A. carried out disposals for a total value of 535 million euros, mainly in relation to fully depreciated assets. The assets most affected were: access networks (155 million euros), switching systems (148 million euros), UMTS transmission plants and network transmission devices (71 million euros), underground fiber optic (57 million euros), office furniture, furnishings and machines (42 million euros) and rented terminals (31 million euros).

NOTE 7
RIGHTS OF USE ASSETS

The item decreased by 145 million euros compared to December 31, 2020. The breakdown and movements are as follows:

(million euros)	12/31/2019	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12/31/2020
Property	**3,398**	12	869	(397)	(112)	(129)	(730)	**2,911**
Plant and equipment	**1,901**	30	396	(252)	(234)	(335)	403	**1,909**
Other tangible assets	**151**		23	(39)	(4)	(2)	(8)	**121**
Construction in progress and advance payments	**44**	32					(25)	**51**
Total	**5,494**	**74**	**1,288**	**(688)**	**(350)**	**(466)**	**(360)**	**4,992**

(million euros)	12/31/2020	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	12/31/2021
Property	**2,911**	35	298	(343)	(14)	4	(43)	**2,848**
Plant and equipment	**1,909**	25	328	(314)	(5)	11	(107)	**1,847**
Other tangible assets	**121**		35	(37)	(2)		2	**119**
Construction in progress and advance payments	**51**	19	2				(42)	**30**
Intangible assets			4	(1)				**3**
Total	**4,992**	**79**	**667**	**(695)**	**(21)**	**15**	**(190)**	**4,847**

2021 capital expenditures mainly refer to the Domestic Business Unit and are essentially related to the acquisition of IRU transmission capacity and improvements and incremental expenses incurred on leased property and non-property assets.

The increases in finance leasing contracts in 2021, equal to 667 million euros, refer in particular to the Brazil Business Unit (441 million euros) and the Domestic Business Unit (226 million euros).

These increases include the higher value of the rights of use recorded as a result of new leases, increases of lease payments and renegotiations of agreements existing both land and buildings for office use and industrial relationship over time, to infrastructure sites for the mobile telephone network infrastructure and network.

Amortization and impairment losses have been recorded in the income statement as components of EBIT.

The disposals are representative of the carrying amount of the assets from lease agreements that terminated early.

Other changes included, inter alia, transfers to operating activities and the lower value of the rights of use recorded as a result of contractual changes during the year. In 2021 they mainly refer to the Brazil Business Unit.

The item **Property** includes buildings and land under passive leases and the related building adaptations, essentially attributable to the Parent Company (2,415 million euros) and the Brazil Business Unit (324 million euros) and Noovle S.p.A. (89 million euros).

The item **Plant and equipment** mainly includes rights of use on infrastructures for telecommunications services. These refer to the Brazil Business Unit (928 million euros), the Parent (610 million euros), the Telecom Italia Sparkle group (184 million euros) and FiberCop S.p.A. (124 million euros). This includes, inter alia, the recognition of the value of the telecommunications towers sold by the TIM Brasil group to American Tower do Brasil and subsequently repurchased in the form of a finance lease.

The item **Other tangible assets** mainly comprises the leases on motor vehicles. In addition, the right of use for the lease of the business unit relating to all the assets organized for the full performance of the "construction", "delivery" and "assurance" activities for telecommunications networks and equipment, deriving from the contract entered into between TIM Servizi Digitali S.p.A. and Sittel S.p.A., is recorded herein for an amount of 17 million euros. The corresponding financial lease liability for the obligation to comply with the contractual payments is recorded against the right of use.

The item **Intangible assets** includes the recording as lease, starting 2021, of a Software as a Service (SaaS) contract, in exchange for which TIM S.p.A. has acquired the right to make exclusive use of software licenses residing on partitions of third party hardware platforms dedicated exclusively to the Company.

The gross carrying amount, accumulated impairment losses and accumulated depreciation at December 31, 2021 and December 31, 2020 can be summarized as follows:

(million euros)	12/31/2020			
	Gross carrying amount	**Accumulated impairment losses**	**Accumulated depreciation**	**Net carrying amount**
Property	5,075	(13)	(2,151)	2,911
Plant and equipment	3,047	(271)	(867)	1,909
Other	267		(146)	121
Construction in progress and advance payments	51			51
Total	**8,440**	**(284)**	**(3,164)**	**4,992**

(million euros)	12/31/2021			
	Gross carrying amount	**Accumulated impairment losses**	**Accumulated depreciation**	**Net carrying amount**
Property	5,327	(13)	(2,466)	2,848
Plant and equipment	3,304	(277)	(1,180)	1,847
Other	291		(172)	119
Construction in progress and advance payments	30			30
Intangible assets	4	—	(1)	3
Total	**8,956**	**(290)**	**(3,819)**	**4,847**

Impairment losses on “Plant and equipment”, mainly relating to prior years, refers to the Indefeasible Rights of Use (IRU) for the transmission capacity and cables for international connections acquired by the Telecom Italia Sparkle group.

With reference to the gross values of rights of use of third party assets, in 2021 the Parent Company TIM S.p.A. carried out disposals for a total value of 650 million euros, relating to rights of use of IRU fiber (607 million euros), leased properties (25 million euros), leased vehicles (9 million euros), base transceiver stations (7 million euros) and leasehold improvements (2 million euros).

NOTE 8
INVESTMENTS

Investments in associates and joint ventures accounted for using the equity method

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

(million euros)		12/31/2021	12/31/2020
I-Systems S.A.		253	—
Satispay S.p.A.		20	—
NordCom S.p.A.		6	5
W.A.Y. S.r.l.		4	4
QTI S.r.l		2	—
Tiglio I S.r.l.		—	1
Other		3	3
Total Associates	**(a)**	**288**	13
INWIT S.p.A.		2,669	2,713
TIMFin S.p.A.		22	2
Total Joint Ventures	**(b)**	**2,691**	**2,715**
Total investments accounted for using the equity method	**(a+b)**	**2,979**	**2,728**

The changes in this item are broken down as follows:

(million euros)	12/31/2019	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12/31/2020
NordCom S.p.A.	**5**					**5**
W.A.Y. S.r.l.	**3**			1		**4**
Tiglio I S.r.l.	**1**			—		**1**
Other	**2**	1				**3**
Total Associates	**11**	**1**		**1**	**—**	**13**
INWIT S.p.A.	**—**		(659)	(238)	3,610	**2,713**
TIMFin S.p.A.	**—**	3		(1)		**2**
Total Joint Ventures	**—**	**3**	**(659)**	**(239)**	**3,610**	**2,715**
Total investments accounted for using the equity method	**11**	**4**	**(659)**	**(238)**	**3,610**	**2,728**

(million euros)	12/31/2020	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	12/31/2021
I-Systems S.A.				(2)	255	**253**
Satispay S.p.A.		20				**20**
NordCom S.p.A.	5			1		**6**
W.A.Y. S.r.l.	4					**4**
QTI S.r.l		2				**2**
Tiglio I S.r.l.	1		(1)			**—**
Other	3	1			(1)	**3**
Total Associates	**13**	**23**	**(1)**	**(1)**	**254**	**288**
INWIT S.p.A.	2,713			(44)		**2,669**
TIMFin S.p.A.	2	24		(4)	—	**22**
Total Joint Ventures	**2,715**	**24**	**—**	**(48)**	**—**	**2,691**
Total investments accounted for using the equity method	**2,728**	**47**	**(1)**	**(49)**	**254**	**2,979**

The “other changes” for 2021 mainly include the carrying amount of the investment in I-Systems S.A. (formerly FiberCo Soluções de Infraestrutura S.A.) following the deconsolidation of the company.

In November 2021, once the regulatory authorization process had been completed, the agreement was finalized between TIM S.A. (Brazil Business Unit) 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. The closing of the transaction resulted in the dilution from 100% to 49% of TIM S.A.'s investment in I-Systems, which is now accounted for by the TIM Group using the equity method.

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 S.A. 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.

The "Investments" for 2021 include both the acquisition of the stake in Satispay by TI Ventures S.r.l. in March 2021, and the payments, by TIM S.p.A., to TIMFin S.p.A.

In 2021, “valuation using the equity method” of the investment in INWIT includes:

- the portion pertaining to the positive economic result of the investee including, the greater amortization charge, at consolidated level, of the assets to which part of the greater value deriving from the corporate integration transaction of Vodafone Towers S.r.l. in INWIT (43 million euros) has been allocated;
- the reduction in the carrying amount of the equity investment for dividends received in the year (87 million euros).

Following a series of operations carried out last year, at present, TIM holds a 30.2% share in INWIT S.p.A. indirectly, through a holding company called Daphne 3, controlled with a 51% stake. The associate in the holding company is a consortium of institutional investors led by Ardian. The holding company has taken over from TIM - in the shareholders' agreement already stipulated between TIM and Vodafone Europe, by virtue of which, joint control is exercised over INWIT.

Essential information on the shareholders' agreements (i) between TIM and Vodafone (now Daphne 3/Central Tower Holding Company) and (ii) between TIM and Ardian can be consulted on the INWIT website (inwit.it).

The list of **investments accounted for using the equity method** is presented in the Note "List of companies of the TIM Group".

Investments in associates accounted for using the equity method of the TIM Group are not material either individually or in aggregate form.

Investments in structured entities

The TIM Group does not hold investments in structured entities.

Other investments

Other investments refer to the following:

(million euros)	12/31/2019	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12/31/2020
Fin.Priv. S.r.l.	21			(5)		16
Northgate CommsTech Innovations Partners L.P.	19	6				25
Other	12	1		—		13
Total	52	7	—	(5)	—	54

(million euros)	12/31/2020	Investments	Disposals and reimbursements of capital	Valuation at fair value	Other changes	12/31/2021
Fin.Priv. S.r.l.	16			6		22
Northgate CommsTech Innovations Partners L.P.	25	1		(9)		17
UV T-Growth		12				12
SECO S.p.A.		38		54		92
Other	13					13
Total	54	51	—	51	—	156

In particular, it should be noted that, during the year 2021:

- the subsidiary Olivetti S.p.A. acquired 9.6% of the share capital of SECO S.p.A., the company specialized in the miniaturization of computers and in the Internet of Things sector;
- TIM S.p.A. has subscribed shares in the UV T-Growth venture capital fund for 12 million euros.

At December 31, 2021, the TIM Group had a subscription commitment for units:

- in the Northgate CommsTech Innovations Partners L.P. fund for 8 million USD, equal to approximately 7 million euros at the exchange rate as at December 31, 2021;
- of the UV T-Growth fund in the amount of 48 million euros.

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

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

NOTE 9

NON-CURRENT AND CURRENT FINANCIAL ASSETS

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

(million euros)		12/31/2021	12/31/2020
Other non-current financial assets			
Securities other than investments		—	—
Receivables from employees		39	40
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature		1,935	1,970
Non-hedging derivatives		100	44
Other financial receivables		211	213
		2,285	**2,267**
Financial receivables for lease contracts		**45**	**43**
Total non-current financial assets	**(a)**	**2,330**	**2,310**
Securities other than investments, other financial receivables and other current financial assets			
Securities other than investments			
Measured at amortized cost (AC)		—	—
Measured at fair value through other comprehensive income (FVTOCI)		1,515	767
Measured at fair value through profit or loss (FVTPL)		734	325
		2,249	**1,092**
Financial receivables and other current financial assets			
Liquid assets with banks, financial institutions and post offices (with maturity over 3 months)		—	—
Receivables from employees		12	13
Hedging derivatives relating to hedged items classified as current financial assets/liabilities		80	97
Non-hedging derivatives		41	50
Other short-term financial receivables		9	2
		142	**162**
	(b)	**2,391**	**1,254**
Financial receivables for lease contracts	**(c)**	**56**	**55**
Cash and cash equivalents	**(d)**	**6,904**	**4,829**
Total current financial assets	**e=(b+c+d)**	**9,351**	**6,138**
Financial assets relating to Discontinued operations/Non-current assets held for sale	**(f)**	**—**	**—**
Total non-current and current financial assets	**g=(a+e+f)**	**11,681**	**8,448**

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Financial receivables for lease contracts refer to:

- finance leases on user rights and equipment;

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

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

Non-hedging derivatives consist mainly of the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit. More specifically, they include 72 million euros in relation to the option to subscribe shares of C6 Bank with which TIM S.A. entertains commercial relations. The figure also includes IRS derivatives of 18 million euros belonging to fair value hedges of bond loans in euros, discontinued starting from June 2021 due to the failure of the prospective efficiency tests carried out at December 31, 2021.

Further details are provided in the Note “Derivatives”.

Other financial receivables refer 205 million euros to the loan that TIM S.p.A. is owed by Ardian (through the financial vector Impulse I) following the transaction by means of which TIM S.p.A. conferred 30.2% of INWIT’s shares to Daphne 3.

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

- 1,515 million euros of listed securities, of which 840 million euros of Italian and European treasury bonds purchased by Telecom Italia Finance S.A. as well as 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. Under IFRS 9 and consistently with the Business model, such securities are classified as financial assets measured at fair value through other comprehensive income (FVTOCI). The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in “Sovereign debt securities”, have been made in accordance with the Guidelines for the “Management and control of financial risk” adopted by the TIM Group;
- 734 million euros of investments in monetary funds by the Brazil Business Unit, which, under IFRS 9, are classified as financial assets measured at fair value through profit or loss (FVTPL).

On the basis of two securities lending agreements signed with Telecom Italia Finance S.A. on November 27, 2019 and thereafter renewed on April 28, 2020, TIM S.p.A. received on loan until February 2, 2021 (renewable term) 98 million euros (nominal) of BTP 03/01/2023 and 150 million euros of BTP 04/15/2021; starting December 1, 2019, TIM S.p.A loans these securities to the counterparty NatWest.

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

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

In addition, Telecom Italia Finance S.A. also has additional securities lending contracts with banking counterparties concerning securities worth (a nominal) 171 million euros.

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

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

Cash and cash equivalents increased by 2,075 million euros compared to December 31, 2020 and were broken down as follows:

(million euros)	12/31/2021	12/31/2020
Liquid assets with banks, financial institutions and post offices	6,092	4,433
Checks, cash and other receivables and deposits for cash flexibility	—	—
Securities other than investments (due within 3 months)	812	396
Total	**6,904**	**4,829**

The different technical forms of use of available cash at December 31, 2021 had the following characteristics:

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

Securities other than investments (due within 3 months) included 812 million euros (395 million euros at December 31, 2020) of Brazilian bank certificates of deposit (Certificado de Depósito Bancário) held by the Brazil Business Unit with premier local banking and financial institutions.

NOTE 10

MISCELLANEOUS RECEIVABLES AND OTHER NON-CURRENT ASSETS

Compared to December 31, 2020, this item increased by 152 million euros and were broken down as follows:

(million euros)		12/31/2021	*of which Financial Instruments*	12/31/2020	*of which Financial Instruments*
Miscellaneous receivables (non-current)	**(a)**	**433**	**144**	**516**	**151**
Other non-current assets					
Deferred contract costs		1,755		1,522	
Other cost deferrals		78		76	
	(b)	**1,833**		**1,598**	
Total	**(a+b)**	**2,266**	**144**	**2,114**	**151**

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Miscellaneous non-current receivables totaled 433 million euros (516 million euros at December 31, 2020) and included Non-current income tax receivables of 147 million euros (64 million euros at December 31, 2020).

This item was mainly due to the Brazil Business Unit (379 million euros; 467 million euros at December 31, 2020).

More specifically, at December 31, 2021, the Brazil Business Unit has non-current receivables relating to indirect tax for 137 million euros (296 million euros at December 31, 2020) and direct tax for 116 million euros (33 million euros at December 31, 2020), including receivables relating to the decision made by the Supreme Federal Court (STF) on the waiver of collection of corporate income tax (IRPJ) and social contributions (CSLL) on the monetary recalculation that uses the SELIC rate in cases of undue payment.

Non-current receivables also include receivables for court deposits of 116 million euros (126 million euros at December 31, 2020).

Other non-current assets amounted to 1,833 million euros (1,598 million euros at December 31, 2020). They mainly break down as follows:

- **Deferred contract costs** of 1,755 million euros (1,522 million euros at December 31, 2020), mainly related to the deferral of costs related to the activation and acquisitions of new contracts with customers. Contract costs are deferred and recognized through separate profit or loss depending on the expected term of the contractual relationship with the customers. In 2021, the expected duration of the contractual relationship with customers went from 3 to 4 years for the mobile business and from 7 to 8 years for the fixed-line business, following an improvement to the churn on customers recorded in recent years, as a result of the loyalty and retention actions and the drive on converging offers. The positive impact at 31 December, 2021 amounted, at a consolidated level, to a total of 164 million euros; for the years 2022 and 2023, with regard to the outstanding amount at 31 December, 2021, a positive impact of 103 million euros and 52 million euros respectively is estimated in reference entirely to the Parent Company, gross of intragroup eliminations.

  Total (non-current and current) deferred contract costs amounted to 2,297 million euros (2,139 million euros at December 31, 2020) and break down as follows:

(million euros)	12/31/2021	12/31/2020
Deferred contract costs		
Non-current deferred contract costs	1,755	1,522
Current deferred contract costs	542	617
Total	**2,297**	**2,139**

(million euros)	12/31/2021	12/31/2020
Deferred contract costs		
Contract acquisition costs	1,246	1,132
Contract execution costs	1,051	1,007
Total	**2,297**	**2,139**

Changes to comprehensive deferred contract costs in 2021 are as follows:

(million euros)	12/31/2020	Increase	Release to income statement	Exchange differences and other changes	12/31/2021
Contract acquisition costs	1,132	390	(278)	2	1,246
Contract execution costs	1,007	250	(206)	—	1,051
Total	**2,139**	**640**	**(484)**	**2**	**2,297**

The deferred contract costs will be recognized in the income statement for future years and, in particular, of around 555 million euros in 2022, based on the amount at December 31, 2021 without taking into account the new deferred portions.

(million euros)	12/31/2021	year of recognition in the income statement					
		2022	2023	2024	2025	2026	After 2026
Contract acquisition costs	1,246	324	274	219	158	111	160
Contract execution costs	1,051	231	218	193	157	112	140
Total	**2,297**	**555**	**492**	**412**	**315**	**223**	**300**

- **Other deferred costs** of 78 million euros, mainly attributable to the Parent and to companies of the Brazil Business Unit and of the Telecom Italia Sparkle group.

NOTE 11

INCOME TAX EXPENSE (CURRENT AND DEFERRED)

Current income tax receivables

Non-current and current income tax receivables at December 31, 2021 amounted to 226 million euros (150 million euros at December 31, 2020).

Specifically, they consisted of:

- non-current income tax receivables of 147 million euros (64 million euros at December 31, 2020), relating to the companies of the Brazil Business Unit (116 million euros) and the Parent TIM S.p.A. (31 million euros). They include receivables of TIM S.A. relating to the decision of the Brazilian Supreme Federal Court on the non-collection of corporate income tax and social contributions on the monetary recalculation that uses the SELIC rate in cases of undue payment and receivables not transferred by the Parent Company relative to tax and interest deriving from the recognized deductibility from IRES tax of the IRAP tax calculated on labor costs, relating to years prior to 2012, following the entry into force of Italian Decree Law 16/2012;
- current income tax receivables of 79 million euros (86 million euros at December 31, 2020), relating to the companies of the Domestic Business Unit (51 million euros) and the Brazil Business Unit (26 million euros). They include the IRES tax receivable for surplus payments and withholdings of 5 million euros and the IRAP receivable for 29 million euros for surplus down payments made and for the benefit deriving from the presentation of supplementary declarations following the ruling signed on August 3, 2020 with the Revenue Agency for the application of the patent box benefit of the Parent Company TIM S.p.A..

Tax assets and deferred tax liabilities

The net balance of 3,268 million euros at December 31, 2021 (7,219 million euros at December 31, 2020) breaks down as follows:

(million euros)	12/31/2021	12/31/2020
Deferred tax assets	3,513	7,496
Deferred tax liabilities	(245)	(277)
Total	**3,268**	**7,219**

Deferred tax assets at December 31, 2021 mainly referred to the Domestic Business Unit, at 3,427 million euros. At December 31, 2020, deferred tax assets mainly referred to the Domestic Business Unit, at 7,383 million euros.

In the 2020 financial statements, the Parent Company TIM S.p.A. had benefited from the possibility of realigning the tax values to the greater value of the assets booked, specifically the value of goodwill of 23,051 million euros, as envisaged by Decree Law 104/2020, Art. 110, subsections 8 and 8 bis. Accordingly, this resulted, in exchange for payment of substitute tax in the amount of 3% of the realigned value (692 million euros), in the possibility to deduct the tax amortization of the realigned value of 23,051 million euros over 18 years, starting 2021. These deductions, which would have generated benefits in terms of IRES and IRAP, have been fully noted at December 31, 2020 amongst deferred tax assets in the amount of 6,569 million euros, in view of the possibility of absorption through the Company's future taxable income, also taking into account the fact that IRES losses can be carried forward without time limits, where such may arise due to temporary incapacity of taxable income.

The 2022 Budget Law (Law 234/2021, art. 160) amended the duration of the period during which amortization of tax-recognized goodwill could be deducted, taking it to 50 years and this resulted in the writing off of 50% of deferred tax assets for 3,285 million euros (of which 2,766 million euros for IRES and 519 million euros for IRAP), which go beyond the time frame of visibility for absorption, which had been identified as 25 years in the 2020 financial statements. The remaining deferred IRAP tax assets for 540 million euros were also written-off, mainly relating to the realigned goodwill in consideration of the changed assessment of the time frame for recoverability of deferred tax assets, also determined on the basis of the 2022 - 2024 Industrial Plan of the Parent Company TIM S.p.A. For the same reason, the Parent Company has not entered new deferred tax assets for period tax losses. This write-off does not exclude for the future, the possibility of reversing this impairment with the booking of all or part of the deferred tax assets where they should be deemed recoverable.

In 2021, in accordance with art. 19 of Decree Law no. 73/2021, the Parent Company TIM S.p.A. also transformed the deferred tax assets for tax losses carried forward and ACE surpluses (within the limit of 20% of the impaired loans transferred) into tax credits in the amount of approximately 20 million euros; these receivables were subsequently offset against VAT payable.

Deferred tax liabilities mainly refer to Telecom Italia Capital for 214 million euros (252 million euros at December 31, 2020) and the Domestic Business Unit for 20 million euros (13 million euros at December 31, 2020).

Since the presentation of prepaid and deferred taxes in the financial statements takes into account the offsets by legal entity when applicable, the composition of the gross amounts before offsets is presented below:

(million euros)	12/31/2021	12/31/2020
Deferred tax assets	3,999	7,931
Deferred tax liabilities	(731)	(712)
Total	**3,268**	**7,219**

The temporary differences which made up this line item at December 31, 2021 and 2020, as well as the movements during 2021, were as follows:

(million euros)	12/31/2020	Recognized in profit or loss	Recognized in equity	Change in scope of consolidation and other changes	12/31/2021
Deferred tax assets					
Tax loss carryforwards (*)	100	(41)		(13)	46
Derivatives	625	(5)	(103)		517
Provision for bad debts	126	1		1	128
Provisions	260	106		2	368
Taxed depreciation and amortization	96	8			104
Tax realignment pursuant to Decree Law 104/2020 Art. 110	6,569	(3,914)			2,655
Other Prepaid tax assets	155	29	4	(7)	181
Total	**7,931**	**(3,816)**	**(99)**	**(17)**	**3,999**
Deferred tax liabilities					
Derivatives	(532)	2	37	1	(492)
Business combinations - for step-up of net assets in excess of tax basis	(67)	(37)	—	52	(52)
Accelerated depreciation and amortization	(53)	(31)		1	(83)
Convertible bonds	—		(45)		(45)
Other deferred taxes	(60)	3		(2)	(59)
Total	**(712)**	**(63)**	**(8)**	**52**	**(731)**
Total Deferred tax assets net of Deferred tax liabilities	**7,219**	**(3,879)**	**(107)**	**35**	**3,268**

(*) For the new flow of tax losses in 2021, the Parent Company TIM S.p.A. has not entered deferred tax assets.

The expirations of deferred tax assets and deferred tax liabilities at December 31, 2021 were the following:

(million euros)	.Within next year	Beyond 1 year	Total at 12/31/2021
Deferred tax assets	505	3,494	3,999
Deferred tax liabilities	(122)	(609)	(731)
Total Deferred tax assets net of Deferred tax liabilities	**383**	**2,885**	**3,268**

At December 31, 2021, the TIM Group had unused tax loss carryforwards of 2,287 million euros, mainly relating to the company Telecom Italia Finance and the Parent TIM S.p.A., with the following expiration dates:

Year of expiration	(million euros)
2022	—
2023	2
2024	—
2025	3
2026	1
Expiration after 2026	29
Without expiration	2,252
Total unused tax loss carryforwards	**2,287**

Unused tax loss carryforwards considered in the calculation of deferred tax assets amounted to 150 million euros at December 31, 2021 (323 million euros at December 31, 2020) and mainly referred to the Brazil Business Unit and the Parent TIM S.p.A.. Deferred tax assets were recognized as it was considered probable that taxable income will be available in the future against which the tax losses can be utilized.
On the other hand, deferred tax assets relative to foreign subsidiaries of 333 million euros (354 million euros at December 31, 2020) were not recognized on 1,325 million euros of tax loss carry-forwards since, at the reporting date, their recoverability was not considered probable.
At December 31, 2021, deferred tax liabilities were not recognized on approximately 0.8 billion euros of tax-suspended reserves and undistributed earnings of subsidiaries, because the TIM Group is in a position to control the timing of the distribution of those reserves and it is probable that those accumulated earnings will not be distributed in the foreseeable future. The contingent liabilities relating to taxes that should be recognized, if these reserves are distributed, are in any case not significant.

Current income tax payables

Current income tax payables amounted to 526 million euros (764 million euros at December 31, 2020). They break down as follows:

(million euros)	12/31/2021	12/31/2020
Income taxes payable:		
non-current	231	493
current	295	271
Total	**526**	**764**

The current portion, of 295 million euros, refers to the Domestic Business Unit (265 million euros) and the Brazil Business Unit (30 million euros) and includes the second installment of the substitute tax pursuant to Decree Law 104/2020, Art. 110, paragraphs 8 and 8 bis of the Parent Company (231 million euros).
The non-current portion, amounting to 231 million euros, refers to the Parent Company TIM S.p.A. and relates to the third installment of substitute tax pursuant to Decree Law 104/2020, Art. 110, paragraphs 8 and 8 bis.

Income tax expense

The income tax expense for the years 2021 and 2020 breaks down as follows:

(million euros)		2021	2020
Current taxes for the year		15	777
Net difference in prior year estimates		(4)	(197)
Total current taxes		**11**	**580**
Deferred taxes		3,874	(6,535)
Total income tax expense on continuing operations	**(a)**	**3,885**	**(5,955)**
Income tax expense on Discontinued operations/Non-current assets held for sale	**(b)**	**—**	**—**
Total income tax expense for the year	**(a+b)**	**3,885**	**(5,955)**

Deferred tax includes the write-off for 3,825 million euros, of which 2,766 million euros for IRES, equal to 50% of the deferred tax assets entered in 2020 following the higher values booked in accordance with Decree Law 104/2020, Art. 110, subsections 8 and 8 bis and 1,059 million euros for the residual deferred IRAP tax assets entered for the realignment of goodwill and other items.

As already specified, the write-off of deferred tax assets is due to the extension to 50 years of the period of resorption of the realigned amount of goodwill introduced by Art. 160 of the 2022 Budget Law (Law 234/2021) and the changed assessment of the time frame for recovery of deferred tax assets of the parent company TIM S.p.A.

The reconciliation between the theoretical tax expense, using the IRES tax rate in force in Italy (24%), and the effective tax expense for the years ended December 31, 2021 and 2020 is as follows:

(million euros)		2021	2020
Profit (loss) before tax from continuing operations		**(4,515)**	**1,397**
Theoretical income tax from continuing operations		**(1,084)**	**335**
Income tax effect on increases (decreases) in variations			
Tax losses of the year not considered recoverable		2	1
Tax losses from prior years not recoverable (recoverable) in future years		(20)	(20)
Non-deductible write-down of goodwill		989	—
IRES taxes for previous years		(8)	(299)
Prepaid IRES tax (benefit)/write-off pursuant to Decree Law 104/2020, Art. 110 and others		2,961	(5,532)
Brazil: different tax rate compared to the theoretical rate in force in Italy		48	33
Brazil: investment incentives		(28)	(28)
Other net differences		(59)	(137)
Effective taxes recognized in the Income Statement, excluding IRAP and substitute tax		**2,801**	**(5,647)**
Prepaid IRAP including tax (benefit)/write-off pursuant to Decree Law 104/2020, Art. 110		1,084	(1,000)
Substitute tax pursuant to Decree Law 104/2020 art. 110		—	692
Total effective taxes recognized in the Income Statements from continuing operations	**(a)**	**3,885**	**(5,955)**
Effective taxes recognized in the Income Statement from Discontinued operations/Non-current assets held for sale	**(b)**	**—**	**—**
Total of actual taxes to income statement	**(a)+(b)**	**3,885**	**(5,955)**

For the analysis of the tax burden related to the Profit (loss) before tax from continuing operations, the impact of IRAP and substitute tax pursuant to Decree Law 104/2020, Art. 110, has been kept separate to avoid any distorting effect, since these taxes only apply to Italian companies and are calculated on a tax base other than pre-tax profit.

NOTE 12 INVENTORIES

The item increased compared to December 31, 2020, by 40 million euros and is broken down as follows:

(million euros)	12/31/2021	12/31/2020
Raw materials and supplies	2	2
Work in progress and semi-finished products	5	2
Finished goods	246	238
Deposits on stocks	29	—
Total	**282**	**242**

Inventories essentially consist of fixed and mobile telecommunications equipment and handsets and related accessories, as well as office products and specialized printers.

Inventories consist of 250 million euros for the Domestic Business Unit (204 million euros at December 31, 2020), also due to a purchasing trend recorded during the year, which was higher than that of consumption, on the Fixed segment of the Parent Company Tim S.p.A. and 32 million euros for the Brazil Business Unit (38 million euros at December 31, 2020).

The item “Deposits on stocks” refers to deposits paid by Telecom Italia Sparkle to construct transmission systems, limited to the component for resale also through financial lease transfer contracts.

Inventories are stated net of a provision for bad debts amounting to 21 million euros (13 million euros at December 31, 2020).

NOTE 13

TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

This item rose by 12 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)		12/31/2021	*of which Financial Instruments*	12/31/2020	*of which Financial Instruments*
Trade receivables					
Receivables from customers		1,545	*1,545*	2,140	*2,140*
Receivables from other telecommunications operators		1,130	*1,130*	765	*765*
	(a)	**2,675**	*2,675*	**2,905**	*2,905*
Miscellaneous receivables (current)					
Receivables due from others	(b)	**780**	*101*	**516**	*85*
Other current assets					
Contract assets		20	*20*	25	*25*
Deferred contract costs		542		617	
Other cost deferrals		273		217	
Other		68		66	
	(c)	**903**	*20*	925	*25*
Total	(a+b+c)	**4,358**	***2,796***	**4,346**	***3,015***

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

The analyses of the aging of the financial instruments included in Trade and miscellaneous receivables and other current assets at December 31, 2021 and December 31, 2020 are provided below:

(million euros)	12/31/2021	of which non-overdue	of which overdue	of which overdue from: 0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	**2,796**	2,270	526	151	68	77	230

(million euros)	12/31/2020	of which non-overdue	of which overdue	of which overdue from: 0-90 days	91-180 days	181-365 days	More than 365 days
Trade and miscellaneous receivables and other current assets	**3,015**	2,388	627	116	133	102	276

Overdue receivables fell by 118 million euros compared to December 31, 2020. This performance is mainly a result of, for 2021: the Domestic Business Unit companies (-178 million euros), and the Brazil Business Unit (+60 million euros, including a positive exchange effect of approximately 3 million euros).

Overdue receivables fell by 101 million euros compared to December 31, 2020. This performance is mainly a result of, for 2021: the Parent Company (-71 million euros), and the Brazil Business Unit (-43 million euros, including a positive exchange effect of approximately +1 million euros) and the Domestic Business Unit companies (+13 million euros).

Trade receivables amounted to 2,675 million euros (2,905 million euros at December 31, 2020) and are stated net of the provision for bad debts of 565 million euros (627 million euros at December 31, 2020). They included 9 million euros (13 million euros at December 31, 2020) of medium/long-term receivables, in respect of agreements for the sale of transmission capacity under Indefeasible Rights of Use (IRU).
Trade receivables mainly related to TIM S.p.A. (1,906 million euros) and to the Brazil Business Unit (511 million euros).

Movements in the provision for bad debts were as follows:

(million euros)	12/31/2021	12/31/2020
At January 1	**627**	**757**
Provision charges to the income statement	212	282
Utilization and decreases	(287)	(369)
Change in the scope of consolidation	1	1
Exchange rate differences and other changes	12	(44)
At December 31	**565**	**627**

In particular, the provision for bad debt at December 31, 2021 suffered the provisions made in 2021 for a total of 212 million euros, of which 20 million euros are non-recurring of the Domestic Business Unit in connection with the COVID-19 health emergency, which resulted in a worsening of the Expected Credit Losses of customers, consequent to the expected deterioration of the macroeconomic context. For more details, see the Note "Non-recurring Events and Transactions".

Miscellaneous receivables (current) refer to other receivables amounting to 780 million euros (516 million euros at December 31, 2020) and are net of a provision for bad debts of 46 million euros (48 million euros at December 31, 2020). Details are as follows:

(million euros)	12/31/2021	12/31/2020
Advances to suppliers	270	22
Receivables from employees	10	10
Tax receivables	268	254
Receivables for grants from the government and public entities	14	29
Sundry receivables	218	201
Total	**780**	**516**

Tax receivables mainly relate to:

- the Brazil Business Unit (240 million euros) and are related to local indirect taxes.
- the Parent Company (15 million euros) essentially for credit amounts resulting from tax returns, tax credits, as well as VAT credits on the acquisition of motor vehicles and related accessories requested for reimbursement pursuant to Law Decree no. 258/2006 converted with amendments by Law no. 278/2006.

Receivables for grants from the government and public entities (14 million euros) referred mainly to the ultrabroadband-UBB and broadband-BB projects. The grants are recognized to the income statement when the related plants become ready for use.

Sundry receivables mainly included:

- TIM S.p.A. receivables for Universal Service (52 million euros);
- TIM S.p.A. receivables for with-recourse assignments to factoring companies (43 million euros);
- miscellaneous receivables of TIM S.p.A. from other TLC operators (32 million euros);
- TIM S.p.A. receivables from social security and pension institutions (13 million euros).

Other current assets included:

- **Contract assets with customers**: this item includes the effect of the early recognition of revenues for those bundle contracts (such as bundles of products and services) with individual performance obligations with a different recognition timing, in which the goods recognized "at a point in time" are sold at a discounted price, or for those contracts which, by providing for a discount for a period of time shorter than the minimum contract term, require, pursuant to IFRS 15, a reallocation of the discount over the minimum contractual term. Contract Assets at December 31, 2021 amounted to 20 million euros (25 million euros at December 31, 2020), net of the related write-down provision of 1 million euros and drop by 5 million euros, since the reversal to the income statement of the previously accumulated balance was substantially offset by the need to distribute discounts granted to customers temporally over the minimum contractual term, with particular reference to those connected with the impact of COVID-19;
- **Deferred contract costs** (542 million euros, 617 million euros at December 31, 2020): these are contract costs (mainly technical activation costs and commissions for the sales network) deferred and recognized in the separate income statement according to the expected duration of the contractual relationship with customers. As indicated above, in 2021 the expected duration of the contractual relationship went from 3 to 4 years for the mobile business and from 7 to 8 years for the fixed-line business, with a positive impact, at consolidated level, totaling 164 million euros at December 31, 2021. Further details on Deferred contract costs are provided in the Note "Miscellaneous receivables and other non-current assets".
- **Other deferred costs** mainly concern:
  - the Parent Company essentially for the deferral of costs related to rental charges and other lease and rental costs (172 million euros), the deferral of costs for the purchase of products and services (24 million euros), deferral of after-sales expenses on application offers (23 million euros), insurance premiums (4 million euros) and maintenance fees (3 million euros);
  - the Telecom Italia Sparkle group, mainly concerning the deferral of costs connected with leases for circuits and maintenance fees (13 million euros);
  - the Brazil Business Unit relative to marketing activities (approximately 14 million euros), insurance premiums (approximately 5 million euros) and maintenance contracts (approximately 5 million euros).

NOTE 14
EQUITY

Equity consisted of:

(million euros)	12/31/2021	12/31/2020
Equity attributable to owners of the Parent	17,414	26,215
Non-controlling interests	4,625	2,625
Total	**22,039**	**28,840**

The composition of **Equity attributable to owners of the Parent** is the following:

(million euros)	12/31/2021		12/31/2020	
Share capital		11,614		11,588
Additional paid-in capital		2,133		2,133
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year		3,667		12,494
Reserve for financial assets measured at fair value through other comprehensive income	49		20	
Reserve for hedging instruments	(128)		(350)	
Reserve for exchange differences on translating foreign operations	(2,500)		(2,538)	
Reserve for remeasurements of employee defined benefit plans (IAS 19)	(130)		(119)	
Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method	—		—	
Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	6,376		15,481	
Total		**17,414**		**26,215**

At December 31, 2021, the **share capital** was 11,614 million euros, already net of treasury shares for 63 million euros (11,588 million euros, already net of treasury shares for 89 million euros at December 31, 2020).

The amount of treasury shares during 2021 changed as follows:

- decrease due to the assignment of 6,715,617 ordinary shares of TIM S.p.A. to implement the 2018 Long Term Incentive Plan;
- decrease due to the assignment of 38,604,270 ordinary shares of TIM S.p.A. free of charge to entitled Group employees adhering to the 2020 Broad-Based Share Ownership Plan.

For further details, refer to the Note "Equity Compensation Plans".

It should be noted that the share capital carries a restriction on tax suspension for fiscal purposes for an amount of 11,104 million euros, unchanged on December 31, 2020 and inclusive of 9,913 million restricted in accordance with Decree Law 104/2020, art. 110, subsection 8.

Movements in share capital during 2021 are presented in the following tables:

Reconciliation between the number of shares outstanding at December 31, 2020 and December 31, 2021

(number of shares)		as at 12/31/2020	Share assignment/issue	as at 12/31/2021	% of share capital
Ordinary shares issued	(a)	15,329,466,496	—	15,329,466,496	71.78%
less: treasury shares	(b)	(161,262,083)	45,319,887	(115,942,196)	
Ordinary shares outstanding	(c)	15,168,204,413	45,319,887	15,213,524,300	
Savings shares issued and outstanding	(d)	6,027,791,699	—	6,027,791,699	28.22%
Total TIM S.p.A. shares issued	**(a+d)**	**21,357,258,195**	**—**	**21,357,258,195**	**100.00%**
Total TIM S.p.A. shares outstanding	**(c+d)**	**21,195,996,112**	**45,319,887**	**21,241,315,999**	

Reconciliation between the value of shares outstanding at December 31, 2020 and December 31, 2021

(million euros)		Share capital at 12/31/2020	Change in share capital	Share Capital at 12/31/2021
Ordinary shares issued	(a)	8,381	—	**8,381**
less: treasury shares	(b)	(89)	26	**(63)**
Ordinary shares outstanding	(c)	8,292	26	**8,318**
Savings shares issued and outstanding	(d)	3,296	—	**3,296**
Total TIM S.p.A. share capital issued	**(a+d)**	**11,677**	**—**	**11,677**
Total TIM S.p.A. share capital outstanding	**(c+d)**	**11,588**	**26**	**11,614**

The total value of ordinary treasury shares at December 31, 2021, amounting to 364 million euros, was recorded as follows: the part relating to accounting par value (63 million euros) recognized as a deduction from the share capital issued and the remaining part as a deduction from Other reserves and retained earnings (accumulated losses), including profit (loss) for the year.

Disclosure on share capital

The ordinary and savings shares of TIM S.p.A. are listed in Italy (FTSE index).

In the shareholder resolutions passed to increase share capital against cash payments, the pre-emption right can be excluded to the maximum extent of ten percent of the pre-existing share capital, on condition that the issue price corresponds to the market price of the shares and that this is confirmed in a specific report issued by the firm charged with the audit of the Company.

The Group sources itself with the capital necessary to fund its business development and operation requirements; the sources of funds are found in a balanced mix of equity, permanently invested by the shareholders, and debt capital, to guarantee a balanced financial structure and minimize the total cost of capital, with a resulting advantage to all the stakeholders.

Debt capital is structured according to different maturities and currencies to ensure an adequate diversification of the sources of funding and an efficient access to external sources of financing (taking advantage of the best opportunities offered in the financial markets of the euro, U.S. dollar and Pound sterling areas to minimize costs), taking care to reduce the refinancing risk.

The remuneration of equity is proposed by the board of directors to the shareholders' meeting, during which the annual financial statements are approved, based upon market trends and business performance, once all the other obligations are met, including debt servicing. Therefore, to ensure an adequate remuneration of capital, safeguard company continuity and business development, the Group constantly monitors the change in debt levels in relation to equity, the level of net debt and the operating margin of industrial operations.

Privileges of savings shares

The privileges of TIM S.p.A. savings shares are indicated below:

- the profit shown in the duly approved financial statements, after deducting the amount to be allocated to the legal reserve, must be distributed to the holders of savings shares in an amount up to 5% of the 0.55 euros per share;
- after assigning preferred dividends to the savings shares, the distribution of which is approved by the shareholders' meeting, the remaining profit shall be allocated among all the shares, so that savings shares are entitled to higher overall dividends than ordinary shares would be entitled to, to the extent of 2% of 0.55 euros per share;
- when, in any one year, dividends of below 5% of the 0.55 euros per share are paid to the savings shares, the difference is determined as an increase of the privileged dividend in the next two subsequent years;
- in the case of the distribution of reserves, the savings shares have the same rights as ordinary shares. Moreover, when there is no profit or insufficient profit is reported in the financial statements for a given year to satisfy the aforesaid savings shares privileges, the Shareholders' Meeting called to approve those financial statements may choose to satisfy the dividend right and/or the higher dividend right by distributing available reserves. The distribution of available reserves for such payments excludes the application of the mechanism extending the right to the preferred dividend not paid through the distribution of profits for the following two years;
- the reduction of share capital as a result of losses does not affect the savings shares except for the amount of the loss which is not covered by the portion of the share capital represented by the other shares;
- upon the wind-up of TIM S.p.A., the savings shares have a pre-emption right in the reimbursement of capital up to the amount of 0.55 euros per share;
- in the event of the cessation of trading in the Company's ordinary or savings shares, the holder of savings shares may ask TIM S.p.A. to convert his/her shares into ordinary shares, using the method selected during a special session of the shareholders' meeting called for that purpose within two months of being excluded from trading.

Additional paid-in capital, amounting to 2,133 million euros, was unchanged with respect to December 31, 2020. The reserve is entirely restricted under tax suspension in accordance with Decree Law 104/2020, Art. 110, subsection 8.

Other reserves moved through the Statements of comprehensive income comprised:

- The **Reserve for financial assets measured at fair value through other comprehensive income**, positive for 49 million euros at December 31, 2021, increased by 29 million euros compared to the figure at December 31, 2020. In particular, the change in 2021 includes the losses from the securities portfolio of Telecom Italia Finance (18 million euros, of which 6 million euros were realized), the losses on the TI Ventures securities portfolio (9 million euros), the profits recorded by Olivetti for the valuation of SECO S.p.A. (54 million euros), the losses related to other financial assets held by the Parent Company TIM (4 million euros) and the profits related to the equity investment in Fin.Priv. S.r.l. of the Parent Company TIM (6 million euros). This reserve is expressed net of deferred tax liabilities of 1 million euros (at December 31, 2020, it was expressed net of deferred tax liabilities of 1 million euros).
- The **Reserve for cash flow hedges** had a negative balance of 128 million euros at December 31, 2021, (negative 350 million euros at December 31, 2020). This reserve is stated net of deferred tax assets of 39 million euros (at December 31, 2020, it was stated net of deferred tax assets of 110 million euros). In particular, this reserve includes the effective portion of gains or losses on the fair value adjustments of derivatives designated as hedges of the exposure to volatility in the cash flows of assets or liabilities recognized in the financial statements ("cash flow hedge").
- The **Reserve for exchange differences on translating foreign operations** showed a negative balance of 2,500 million euros at December 31, 2021 (negative 2,538 million euros at December 31, 2020) and mainly related to exchange differences resulting from the translation into euros of the financial statements of companies belonging to the Brazil Business Unit (negative for 2,523 million euros versus negative for 2,550 million euros at December 31, 2020).
- The **Reserve for the re-measurement of defined benefits plans for employees**, negative for 130 million euros, drops by 11 million euros on December 31, 2020 following the recording of the changes in actuarial gains (losses), net of the related tax effect.
- The **Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method** is nil at both December 31, 2021 and December 31, 2020.

Other sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year amounted to 6,376 million euros and decreased by 9,105 million euros, as detailed below:

(million euros)	2021	2020
Profit (loss) for the year attributable to owners of the Parent	(8,652)	7,224
Dividends approved - TIM S.p.A.	(318)	(316)
Issue of equity instruments	7	3
Other changes	(44)	9
Change for the year in Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	**(9,105)**	**6,920**

Part of Other sundry reserves and accrued profits (losses), including profit (loss) for the year of TIM S.p.A. is restricted under tax suspension in accordance with Decree Law 104/2020, Art. 110, subsection 8. For more details, reference is made to the “Equity” Note of the Parent Company.

In 2021, dividends deliberated by TIM S.p.A. are 318 million euros and refer to the distribution to Shareholders of a dividend of 0.0100 euro per ordinary share and 0.0275 euro per savings share, gross of statutory withholding taxes. In 2020, the dividends deliberated by TIM S.p.A. were 316 million euros and referred to ordinary shares (dividend per share of 0.0100 euros) and to savings shares (dividend per share of 0.0275 euros).

Equity attributable to non-controlling interest, amounting to 4,625 million euros, mainly refers to FiberCop S.p.A. (1,969 million euros), to Daphne 3 S.p.A. (1,316 million euros) and the companies of the Brazil Business Unit (1,345 million euros) and shows an increase of 2,000 million euros compared to December 31, 2020, as detailed below:

(million euros)	2021	2020
Profit (loss) for the year attributable to Non-controlling interest	252	128
Group Company dividends paid to minority shareholders	(55)	(62)
Changes in the Reserve for exchange differences on translating foreign operations	12	(491)
FiberCop - capital increase	1,848	—
Daphne 3 - capital increase	—	1,334
Daphne 3 - distribution of additional paid-in capital	(42)	
INWIT - deconsolidation	—	(644)
Other changes	(15)	14
Change for the year in Equity attributable to Non-controlling interest	**2,000**	**279**

The Group company dividends paid to minority shareholders mainly referred to the Brazil Business Unit for 55 million euros. 2020 dividends mainly referred to the Brazil Business Unit for 61 million euros.

The Reserve for exchange differences on translating foreign operations attributable to non-controlling interest showed a negative balance of 1,155 million euros at December 31, 2021 (negative for 1,167 million euros at December 31, 2020), relating entirely to exchange differences arising from the translation into euros of the financial statements of the companies belonging to the Brazil Business Unit.

Future potential changes in share capital

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

NOTE 15

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

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

(million euros)		12/31/2021	12/31/2020
Non-current financial liabilities for financing contracts and others			
Financial payables (medium/long-term):			
Bonds		17,383	16,898
Convertible bonds		—	1,958
Payables to banks		4,394	2,772
Other financial payables		306	185
		22,083	**21,813**
Other medium/long-term financial liabilities:			
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature		1,337	1,832
Non-hedging derivatives		17	10
Other liabilities		—	—
		1,354	**1,842**
	(a)	**23,437**	**23,655**
Non-current financial liabilities for lease contracts	**(b)**	**4,064**	**4,199**
Total non-current financial liabilities	**c=(a+b)**	**27,501**	**27,854**
Current financial liabilities for financing contracts and others			
Financial payables (short term):			
Bonds		1,514	982
Convertible bonds		1,998	6
Payables to banks		2,099	2,506
Other financial payables		236	119
		5,847	**3,613**
Other short-term financial liabilities:			
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature		62	62
Non-hedging derivatives		36	2
Other liabilities		—	—
		98	**64**
	(d)	**5,945**	**3,677**
Current financial liabilities for lease contracts	**(e)**	**651**	**631**
Total current financial liabilities (*)	**f=(d+e)**	**6,596**	**4,308**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	**(g)**	**—**	**—**
Total Financial liabilities (Gross financial debt)	**h=(c+f+g)**	**34,097**	**32,162**

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

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

	12/31/2021		12/31/2020	
	(millions of foreign currency)	(million euros)	(millions of foreign currency)	(million euros)
USD	5,789	5,111	5,899	4,807
GBP	389	463	389	433
BRL	12,694	2,008	8,415	1,320
YEN	20,030	154	20,030	158
ILS	51	14	54	14
EUR		26,347		25,430
Total		**34,097**		**32,162**

For the exchange rates used for the conversion of amounts in foreign currency, see the Note "Other information".

The breakdown of gross financial debt by effective interest-rate bands applicable to the original currency is provided below, excluding the effect of any derivative hedging instruments:

(million euros)	12/31/2021	12/31/2020
Up to 2.5%	8,619	6,047
From 2.5% to 5%	12,872	13,497
From 5% to 7.5%	7,055	6,692
From 7.5% to 10%	1,971	1,906
Over 10%	1,437	1,317
Accruals/deferrals, MTM and derivatives	2,143	2,703
Total	**34,097**	**32,162**

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

(million euros)	12/31/2021	12/31/2020
Up to 2.5%	15,353	15,640
From 2.5% to 5%	9,936	8,052
From 5% to 7.5%	3,396	3,352
From 7.5% to 10%	1,334	1,098
Over 10%	1,935	1,317
Accruals/deferrals, MTM and derivatives	2,143	2,703
Total	**34,097**	**32,162**

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

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

	maturing by 12/31 of the year:						
(million euros)	2022	2023	2024	2025	2026	After 2026	Total
Bonds	3,098	2,446	3,324	2,000	1,750	7,720	20,338
Loans and other financial liabilities	784	712	977	1,075	1,570	159	5,277
Financial lease liabilities	616	557	587	473	453	1,995	4,681
Total	**4,498**	**3,715**	**4,888**	**3,548**	**3,773**	**9,874**	**30,296**
Current financial liabilities	1,536	—	—	—	—	—	1,536
Total	**6,034**	**3,715**	**4,888**	**3,548**	**3,773**	**9,874**	**31,832**

The main components of financial liabilities are commented below.

Bonds are broken down as follows:

(million euros)	12/31/2021	12/31/2020
Non-current portion	17,383	16,898
Current portion	1,514	982
Total carrying amount	**18,897**	**17,880**
Fair value adjustment and measurements at amortized cost	(559)	(631)
Total nominal repayment amount	**18,338**	**17,249**

Convertible bonds consist of the unsecured equity-linked bond for 2,000 million euros, with a coupon of 1.125%, issued by TIM S.p.A., convertible into newly-issued ordinary shares, maturing in 2022. This item was broken down as follows:

(million euros)	12/31/2021	12/31/2020
Non-current portion	—	1,958
Current portion	1,998	6
Total carrying amount	**1,998**	**1,964**
Fair value adjustment and measurements at amortized cost	2	36
Total nominal repayment amount	**2,000**	**2,000**

The nominal repayment amount of bonds and convertible bonds totaled 20,338 million euros, up by 1,089 million euros compared to December 31, 2020 (19,249 million euros) as a result of new issues, repayments and the exchange effect in 2021.

The change in bonds during 2021 was as follows:

New issues

(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 January 18, 2021, TIM issued its first 8-year Sustainability Bond for an amount of 1 billion euros, coupon 1.625%.

Repayments

(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.

Note that on December 31, 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 January 1, 2022, in accordance with the relevant Regulation.

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

Currency	Total (millions)	Nominal repayment amount (million euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 12/31/2021 (%)	Market value at 12/31/2021 (million euros)
Bonds issued by TIM S.p.A.								
Euro	(a) 213.5	214	6 month Euribor (base	1/01/2002	1/01/2022	100	100	214
Euro	883.9	884	5.250%	2/10/2010	2/10/2022	99.295	100.692	890
Euro	(b) 2,000	2,000	1.125%	3/26/2015	3/26/2022	100	100.135	2,003
Euro	1,000	1,000	3.250%	1/16/2015	1/16/2023	99.446	103.037	1,031
GBP	375	446	5.875%	5/19/2006	5/19/2023	99.622	104.491	466
Euro	1,000	1,000	2.500%	1/19/2017	7/19/2023	99.288	102.507	1,025
Euro	750	750	3.625%	1/20/2016	1/19/2024	99.632	104.032	780
Euro	1,250	1,250	4.000%	1/11/2019	4/11/2024	99.436	104.961	1,312
USD	1,500	1324	5.303%	5/30/2014	5/30/2024	100	105.321	1,395
Euro	1,000	1,000	2.750%	4/15/2019	4/15/2025	99.320	102.491	1,025
Euro	1,000	1,000	3.000%	9/30/2016	9/30/2025	99.806	103.084	1,031
Euro	750	750	2.875%	6/28/2018	1/28/2026	100	102.431	768
Euro	1,000	1,000	3.625%	5/25/2016	5/25/2026	100	105.519	1,055
Euro	1,250	1,250	2.375%	10/12/2017	10/12/2027	99.185	98.860	1,236
Euro	1,000	1,000	1.625%	1/18/2021	1/18/2029	99.074	92.023	920
Euro	670	670	5.250%	3/17/2005	3/17/1955	99.667	106.021	710
Subtotal		**15,538**						**15,861**
Bonds issued by Telecom Italia Finance S.A. and guaranteed by TIM S.p.A.								
Euro	1,015	1,015	7.750%	1/24/2003	1/24/2033	(c) 109.646	133.488	1,355
Subtotal		**1,015**						**1,355**
Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A.								
USD	1,000	883	6.375%	10/29/2003	11/15/2033	99.558	108.519	958
USD	1,000	883	6.000%	10/06/2004	9/30/2034	99.081	105.270	929
USD	1,000	883	7.200%	7/18/2006	7/18/2036	99.440	114.336	1,010
USD	1,000	883	7.721%	6/04/2008	6/04/2038	100	118.017	1,042
Subtotal		**3,532**						**3,939**
Bonds issued by TIM S.A.								
BRL	1,600	253	IPCA+4.1682%	6/15/2021	6/15/2028	100	100	253
Subtotal		**253**						**253**
Total		**20,338**						**21,408**

(a) Reserved for employees.
(b) Bond convertible into newly-issued TIM S.p.A. ordinary treasury shares.
(c) Weighted average issue price for bonds issued with multiple tranches.

The regulations and the Offering Circulars relating to the bonds of the TIM Group are available on the corporate website gruppotim.it.

Medium/long-term amounts **due to banks** totaled 4,394 million euros (2,772 million euros at December 31, 2020). Short-term amounts due to banks totaled 2,099 million euros (2,506 million euros at December 31, 2020) and included 786 million euros of the current portion of medium/long-term amounts due to banks.

On December 23, 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.

The other medium/long-term **financial payables** totaled 306 million euros (185 million euros at December 31, 2020), 151 million euros of which refer to the Telecom Italia Finance S.A. loan for JPY 20,000 million, maturing in 2029. Short-term other financial payables amounted to 236 million euros (119 million euros at December 31, 2020) and included 15 million euros of the current portion of medium/long-term other financial payables.

Medium/long-term **finance lease liabilities** amounted to 4,064 million euros (4,199 million euros at December 31, 2020), whilst short-term lease liabilities totaled 651 million euros (631 million euros at December 31, 2020) and included 648 million euros in the current portion of medium/long-term finance lease liabilities.

With reference to the financial lease liabilities recognized in 2021 and 2020, the following is noted:

(million euros)	12/31/2021	12/31/2020
Principal reimbursements	604	699
Cash out interest portion	263	256
Total	**867**	**955**

Hedging derivatives relating to items classified as non-current financial liabilities amount to 1,337 million euros (1,832 million euros at December 31, 2020). Hedging derivatives relating to items classified as current liabilities of a financial nature totaled 62 million euros (62 million euros at December 31, 2020).

Non-hedging derivatives classified as non-current financial liabilities came to 17 million euros (10 million euros at December 31, 2020), while non-hedging derivatives classified under current financial liabilities amounted to 36 million euros (2 million euros at December 31, 2020). These also include the measurement of derivatives which, although put into place for hedging purposes, do not meet the formal requirements to be considered as such under IFRS.

Covenants and negative pledges in place at 12/31/2021

Bonds issued by the TIM Group do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that result in the automatic early redemption of the bonds in relation to events other than the insolvency of the TIM Group[1]; 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 S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..

Since the bonds were placed principally with institutional investors in major world capital markets (Euromarket and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions effected on these same markets. Consequently, they carry negative pledges, such as, for example, the commitment not to pledge the company's assets as collateral for loans.

Regarding loans taken out by TIM S.p.A. from the European Investment Bank (EIB), on May 19, 2021, TIM entered into a new loan for an amount of 230 million euros, in support of projects to digitize the country. In addition, it has extended the loan signed in 2019 for an amount of 120 million euros. Therefore, at December 31, 2021 the nominal total of outstanding loans with the EIB was 1,200 million euros, all drawn down and not backed by bank guarantee.

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

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

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

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

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

In addition, the outstanding loans generally contain a commitment by TIM, whose breach is an Event of Default, not to implement mergers, demergers or conferrals of business, involving entities outside the Group.

[1] A change of control event can result in the early repayment of the convertible bond of TIM S.p.A., as further detailed below.

Such an Event of Default may entail, upon request of the Lender, the early redemption of the drawn amounts and/or the annulment of the undrawn commitment.

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

Finally, as at December 31, 2021, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

Revolving Credit Facility

The following table shows committed credit lines available at 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 December 31, 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 January 19, 2021, TIM entirely canceled the credit line for 1.7 billion euros, which was not used, stipulated on May 18, 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 May 13, 2021, TIM extended the Revolving Credit Facility by 5 years, reducing the amount to 4 billion euros and making it the Group's first ever ESG-linked credit facility.

On December 23, 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.

TIM's rating at December 31, 2021

At December 31, 2021, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	BB	Stable
MOODY'S	Ba2	Negative
FITCH RATINGS	BB+	Stable

On March 08, 2022, the ratings agency Moody's modified the rating from Ba2 to Ba3, confirming the outlook relative to its opinion on TIM as "Negative".

NOTE 16
NET FINANCIAL DEBT

The table below shows the breakdown of net financial debt of the TIM Group at December 31, 2021 and December 31, 2020, determined in accordance with the provisions of the "*Guidelines on disclosure requirements under the Prospectus Regulation*" issued by the ESMA (European Securities & Markets Authority) on March 4, 2021 (ESMA32-382-1138) and incorporated by Consob with its Note of Attention no. 5/21 dated April 29, 2021.
This table also shows the reconciliation of the net financial debt determined according to the aforementioned criteria indicated by the ESMA and net financial debt calculated according to the criteria of the TIM Group.

(million euros)		12/31/2021	12/31/2020
Liquid assets with banks, financial institutions and post offices	(a)	6,092	4,433
Other cash and cash equivalents	(b)	812	396
Securities other than investments	(c)	2,249	1,092
Liquidity	**(d=a+b+c)**	**9,153**	**5,921**
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(e)	1,538	1,151
Current portion of non-current financial debt	(f)	4,937	3,010
Current financial debt	**(g=e+f)**	**6,475**	**4,161**
Net current financial debt	**(h=g-d)**	**(2,678)**	**(1,760)**
Non-current financial debt (excluding the current part and debt instruments)	(i)	8,083	6,984
Debt instruments	(j)	17,383	18,856
Trade payables and other non-current debt (**)	(k)	81	1,791
Non-current financial debt	**(l=i+j+k)**	**25,547**	**27,631**
Total net financial debt as per ESMA guidelines 32-382-1138	**(m=h+l)**	**22,869**	**25,871**
Trade payables and other non-current debt (**)		(81)	(1,791)
Non-current financial receivables arising from lease contracts		(45)	(43)
Current financial receivables arising from lease contracts		(56)	(55)
Financial receivables and other current financial assets		(21)	(15)
Other financial receivables and other non-current financial assets		(250)	(253)
Financial assets/liabilities relating to discontinued operations/non-current assets held for sale		—	—
Subtotal	**(n)**	**(453)**	**(2,157)**
Net financial debt carrying amount (*)	**(p=m+n)**	**22,416**	**23,714**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(q)	(229)	(388)
Adjusted Net Financial Debt	**(r=p+q)**	**22,187**	**23,326**

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

(**) The value at 12/31/2021 mainly includes the payables of the Brazil Business Unit for the purchase and renewal of telecommunications licenses (72 million euros), also including the payable due to Entidade Administradora da Conectividade de Escolas (EACE) for the development of certain infrastructural projects in Brazil in connection with the assignment of the rights of use of frequencies for 5G services. The figure at 12/31/2020 includes the residual payable relating to the acquisition of the rights-of-use for the 5G licenses in Italy, of 1,738 million euros; at 12/31/2021, the amount was reclassified to Miscellaneous payables and other current liabilities following the expiry scheduled for 2022.

Additional cash flow information required by IAS 7

(million euros)		12/31/2020	Cash movements		Non-cash movements			12/31/2021
			Receipts and/or issues	Payments and/or reimbursements	Exchange differences	Fair value changes	Other changes and reclassifications	
Financial payables (medium/long-term):								
Bonds		17,880	1,251	(564)	405	(79)	4	18,897
Convertible bonds		1,964					34	1,998
Payables to banks		4,242	2,830	(1,895)	20		(17)	5,180
Other financial payables		192	1	(9)	(4)		141	321
	(a)	**24,278**	**4,082**	**(2,468)**	**421**	**(79)**	**162**	**26,396**
of which short-term		*2,465*						*4,313*
Medium/long-term finance lease liabilities:		**4,827**	**225**	**(604)**	**15**		**249**	**4,712**
	(b)	**4,827**	**225**	**(604)**	**15**	**—**	**249**	**4,712**
of which short-term		*628*						*648*
Other medium/long-term financial liabilities:								
Hedging derivative liabilities relating to hedged items classified as non-current assets/liabilities of a financial nature		1,894			(97)	(398)		1,399
Non-hedging derivative liabilities		12			(3)	41	2	52
Other liabilities		—						—
	(c)	**1,906**	**—**	**—**	**(100)**	**(357)**	**2**	**1,451**
of which short-term		*64*						*97*
Short-term financial payables:								
Amounts due to banks		1,036					277	1,313
Other financial payables		115			1		109	225
	(d)	**1,151**	**—**	**—**	**1**	**—**	**386**	**1,538**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale:		**—**						**—**
	(e)	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total Financial liabilities (Gross financial debt)								
	(f=a+b+c+d+e)	**32,162**	**4,307**	**(3,072)**	**337**	**(436)**	**799**	**34,097**
Hedging derivative receivables relating to hedged items classified as current and non-current assets/liabilities of a financial nature	**(g)**	2,067			301	(340)	(13)	2,015
Non-hedging derivative receivables	**(h)**	94			(46)	63	30	141
Total	**(i=f-g-h)**	**30,001**	**4,307**	**(3,072)**	**82**	**(159)**	**782**	**31,941**

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

(million euros)	2021	2020
Interest expense paid	(1,440)	(1,520)
Interest income received	437	448
Net total	**(1,003)**	**(1,072)**

To consider the components of CCIRS derivatives as a single transaction, a representation is given with interest flows in and out shown net. This approach gives the following results:

(million euros)	2021	2020
Interest expense paid	(1,104)	(1,209)
Interest income received	101	137
Net total	**(1,003)**	**(1,072)**

NOTE 17
FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies of the TIM Group

The TIM Group is exposed to the following financial risks in the ordinary course of its business operations:

- Market risk: stemming from changes in interest rates and exchange rates in connection with financial assets that have been originated and financial liabilities that have been assumed;
- Credit risk: representing the risk of non-fulfillment of obligations undertaken by the counterparty with regard to the liquidity investments of the Group;
- Liquidity risk: connected with the need to meet short-term financial commitments.

These financial risks are managed by:

- the establishment, at central level, of guidelines for directing operations;
- the work of an internal committee that monitors the level of exposure to market risks in accordance with pre-established general objectives;
- the identification of the most suitable financial instruments, including derivatives, to reach pre-established objectives;
- the monitoring of the results achieved;
- the exclusion of the use of financial instruments for speculative purposes.

The policies for the management and the sensitivity analyses of the above financial risks by the TIM Group are described below.

Identification of risks and analysis

The TIM Group is exposed to market risks, as a result of changes in interest rates and exchange rates, in the markets in which it operates or has bond issues, mainly in Europe, the United States, Great Britain and Latin America.

The financial risk management policies of the TIM Group are directed towards diversifying market risks, hedging exchange rate risk in full and minimizing interest rate exposure by an appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments.

The Group defines an optimum composition of its debt structure by balancing fixed and variable-rates and uses derivative financial instruments to achieve that debt 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 amount, in the 65%-85% range for the fixed-rate component and in the 15%-35% range for the variable-rate component.

In managing market risk, the Group has adopted Guidelines on "Management and control of financial risk" and mainly uses the following financial derivatives:

- Interest Rate Swaps (IRS), to modify the profile of the original exposure to interest rate risks on loans and bonds, both fixed and variable;
- Cross Currency and Interest Rate Swaps (CCIRS) and Currency Forwards, to convert loans and bonds issued in currencies other than euro – principally in US dollars and British pounds – to the functional currencies of the operating companies.

Derivative financial instruments are designated as fair value hedges for managing exchange rate and interest rate risks on instruments denominated in currencies other than euro and for managing interest rate risk on fixed-rate loans. Derivative financial instruments are designated as cash flow hedges when the objective is to pre-set the exchange rate of future transactions and the interest rate.

All derivative financial instruments are entered into with banking and financial counterparties with at least a “BBB-” rating from Standard & Poor’s or an equivalent rating and a non-negative outlook. The exposure to the various market risks can be measured by sensitivity analyses, as set forth in IFRS 7. This analysis illustrates the effects produced by a given and assumed change in the levels of the relevant variables in the various reference markets (exchange rates, interest rates and prices) on finance income and expenses and, at times, directly on equity. The sensitivity analysis was performed based on the suppositions and assumptions indicated below:

- sensitivity analyses were performed by applying reasonably likely changes in the relevant risk variables to the amounts in the consolidated financial statements at December 31, 2021;
- changes in value of fixed-rate financial instruments, other than derivatives, produced by changes in the reference interest rates, generate an impact on profit only when, in accordance with IAS 39 and IFRS 9, they are accounted for at their fair value through profit and loss. All fixed-rate instruments, which are accounted for at amortized cost, are not subject to interest rate risk as defined by IFRS 7;
- in the case of fair value hedge relationships, fair value changes of the underlying hedged item and of the derivative instrument, due to changes in the reference interest rates, offset each other almost entirely in

the income statement for the year. As a result, these financial instruments are not exposed to the interest rate risk;

- changes in the value of designated financial instruments in a cash flow hedge relationship, produced by changes in interest rates, generate an impact on the debt level and on equity; accordingly, they are included in this analysis;
- the changes in value, produced by changes in the reference interest rates, of variable-rate financial instruments, other than derivatives, which are not part of a cash flow hedge relationship, generate an impact on the finance income and expenses for the year; accordingly they are included in this analysis.

Exchange rate risk – Sensitivity analysis

At December 31, 2021 (and also at December 31, 2020), the exchange rate risk of the Group's loans denominated in currencies other than the functional currency of the consolidated financial statements was hedged in full. Accordingly, a sensitivity analysis was not performed on the exchange rate risk.

Interest rate risk – Sensitivity analysis

The change in interest rates on the variable component of payables and liquidity may lead to higher or lower finance income and expenses, while changes in the level of the expected interest rate affect the fair value measurement of the Group's derivatives. In particular:

- with regard to derivatives that convert the liabilities contracted by the Group to fixed rates (cash flow hedging), in line with international accounting standards that regulate hedge accounting, the fair value (mark-to-market) measurement of such instruments is set aside in a specific unavailable Equity reserve. The combined change of the numerous market variables to which the mark-to-market calculation is subject between the transaction inception date and the measurement date renders any assumption about the trend of the variables of little significance. As the contract expiration date approaches, the accounting effects described will gradually be absorbed until they cease to exist;
- if at December 31, 2021 the interest rates in the various markets in which the TIM Group operates had been 100 basis points higher/lower compared to the actual rates, then higher/(lower) finance expenses, before the income tax effect, would have been recognized in the consolidated income statement of -18 million euros (36 million euros at December 31, 2020).

Refer to Note "Accounting Policies" for the potential risk generated by the reform of benchmark interest rates.

Allocation of the financial structure between fixed rate and variable rate

As for the allocation of the financial structure between the fixed-rate component and the variable-rate component, for both financial assets and liabilities, reference should be made to the following tables. These tables have been prepared by taking into account the nominal repayment/investment amount (since that amount expresses the effective interest rate exposure of the Group) and, as far as financial assets are concerned, the intrinsic nature (financial characteristics and duration) of the transactions under consideration rather than the stated contractual terms alone. Bearing that in mind, a transaction whose characteristics (short or very short time frame and frequent renewal) are such that the interest rate is periodically reset on the basis of market parameters, even though the contract does not call for re-fixing the interest rate (as in the case of bank deposits), has been considered in the variable rate category.

Total Financial liabilities (at the nominal repayment amount)

(million euros)	12/31/2021			12/31/2020		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Bonds	19,571	767	20,338	14,698	4,551	19,249
Loans and other financial liabilities	5,012	4,946	9,958	5,402	3,836	9,238
Total non-current financial liabilities (including the current portion of medium/long-term financial liabilities)	**24,583**	**5,713**	**30,296**	**20,100**	**8,387**	**28,487**
Total current financial liabilities	**1,264**	**272**	**1,536**	**602**	**546**	**1,148**
Total	**25,847**	**5,985**	**31,832**	**20,702**	**8,933**	**29,635**

Total Financial assets (at the nominal investment amount)

(million euros)	12/31/2021			12/31/2020		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Cash and cash equivalents	—	6,092	6,092	—	4,433	4,433
Titles	1,421	1,616	3,037	638	837	1,475
Other receivables	1,008	51	1,059	747	54	801
Total	**2,429**	**7,759**	**10,188**	**1,385**	**5,324**	**6,709**

With regard to variable-rate financial instruments, the contracts provide for revisions of the relative parameters to take place within the subsequent 12 months.

Effective interest rate

As to the effective interest rate, for the categories where that parameter can be determined, such parameter refers to the original transaction net of the effect of any derivative hedging instruments.

The disclosure, which is provided by class of financial asset and liability, has been determined, for purposes of calculating the weighted average, using the carrying amount adjusted by accruals, prepayments, deferrals and fair value adjustments: this is therefore the amortized cost, net of accruals and any changes in fair value, as a consequence of hedge accounting.

Total Financial liabilities

(million euros)	12/31/2021		12/31/2020	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Bonds	20,249	4.32	19,117	4.47
Loans and other financial liabilities	11,705	3.21	10,341	3.54
Total	**31,954**	**3.91**	**29,458**	**4.14**

Total Financial assets

(million euros)	12/31/2021		12/31/2020	
	Adjusted carrying amount	Effective interest rate (%)	Adjusted carrying amount	Effective interest rate (%)
Cash and cash equivalents	6,092	0.00	4,433	0.01
Titles	3,037	1.08	1,475	0.36
Other receivables	364	3.40	362	1.25
Total	**9,493**	**0.47**	**6,270**	**0.16**

As for financial assets, the weighted average effective interest rate is not essentially influenced by the existence of derivatives.

As for market risk management using derivatives, reference should be made to the Note "Derivatives".

Credit risk

Exposure to credit risk for the TIM Group consists of possible losses that could arise from the failure of either commercial or financial counterparties to fulfill their assumed obligations. To measure this risk over time for impairment of financial assets (trade receivables due from customers included), the introduction of IFRS 9 required switching from the incurred loss model pursuant to IAS 39 to the expected credit loss model.

Such exposure mainly stems from general economic and financial factors, the potential occurrence of specific insolvency situations of some borrowers and other more strictly technical-commercial or administrative factors.

TIM Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the financial assets and trade receivables recorded in the financial statements, excluding guarantees received, described in the Note "Disputes and pending legal actions, other information, commitments and guarantees".

Risk related to trade receivables is managed using customer scoring and analysis systems. For specific categories of trade receivables, the Group also makes use of factoring, mainly on a "non-recourse" basis.

Provision charges for bad debts are recorded for specific credit positions that have an element of individual risk. On credit positions that do not have such characteristics, provision charges are recorded by customer segment according to the average uncollectibility estimated on the basis of statistics. Further details are provided in the Note "Trade and miscellaneous receivables and other current assets".

Financial assets other than trade receivables are written down for impairment on the basis of a general model which recognizes expected credit losses over the following 12 months, or over the residual life of the asset in the event of a substantial worsening of its credit risk. The expected credit loss is calculated based on the default probability and the percentage of credit that cannot be recovered in the event of a default (the loss given default).

The model adopted to calculate the expected credit loss is based on the Bloomberg Credit Risk Model, a model developed by Bloomberg which, starting from Merton's distance-to-default ("DD") concept, estimates the probability of default together with the recovery rate. At the same time, the loss given default is defined as the non-recoverable component of the post-default financial asset.

In particular, the DD - based on balance sheet data - is enriched with a series of additional information by country (macroeconomic, risk), business sector and individual company, as well as accounting adjustments aimed at ensuring uniformity of the model's outputs; finally, through a non-linear function of the DD, the default probability is obtained.

As regards the current COVID-19 pandemic, use of the Bloomberg Credit Risk Model, which, as mentioned, also takes into account the political and economic situation of the various countries in the short and medium/long-term (from 3 months to 5 years), ensures that all risk components are adequately reflected in the measurement of the credit risk.

In order to improve credit risk and reduce pressure on working capital, in February 2020, the corporate joint venture TIM-SCB JV S.p.A. was established, with an investment of 51% by Santander Consumer Bank (SCB) and 49% by TIM. The partnership with SCB aims to develop and distribute financial products to finance the purchase by TIM customers of products relative to the world of telecommunications and the transfer without recourse of trade receivables.

On November 3, 2020, the new corporate entity received authorization from the Bank of Italy to grant loans to the public in accordance with Article 106 et seq. of the Consolidated Banking Act (TUB). In the last few months of 2020 and early 2021, various corporate steps were completed, including the change in the company name from TIM-SCB JV S.p.A. to TIMFin S.p.A..

TIMFin started operating on February 1, 2021 and over the following months progressively expanded its areas of operation, completing coverage of the TIM physical sales points at the service of consumer customers.

Moreover, as regards credit risk relating to the asset components which contribute to the determination of "Net financial debt", it should be noted that the management of the Group's liquidity is guided by conservative criteria and is principally based on the following:

- Money market management: the investment of temporary excess cash resources;
- Bond portfolio management: the investment of medium-term liquidity, as well as the improvement of the average yield of the assets.

In order to mitigate the risk of the non-fulfillment of the obligations undertaken by the counterparty, deposits of the European companies are made with leading banking and financial institutions rated no lower than investment grade and with a non-negative outlook, and investments by the companies in South America are made with leading local counterparties. Moreover, deposits are made generally for periods of less than three months. With regard to other temporary investments of liquidity, there is a bond portfolio in which the investments have a low risk level. All investments have been carried out in compliance with the Group Guidelines on "Management and control of financial risk".

In order to minimize credit risk, the Group also pursues a diversification policy for its investments of liquidity and allocation of its credit positions among different banking counterparties. Consequently, there are no significant positions with any one single counterparty.

Liquidity risk

The Group pursues the objective of achieving an "adequate level of financial flexibility", which is expressed by maintaining a current treasury margin to cover the refinancing requirements at least for the next 12 months with irrevocable bank lines and liquidity.

At December 31, 2021, the liquidity margin available for the TIM Group is 13,153 million euros, with an increase of 532 million euros with respect to end 2020 (12,621 million euros). The impact of the COVID-19 pandemic has not, therefore, entailed any liquidity risk. Moreover, on January 18, 2021, TIM S.p.A. issued its first 8-year Sustainability Bond for an amount of 1 billion euros, coupon 1.625%.

19% of gross financial debt at December 31, 2021 (nominal repayment amount) will become due in the next 12 months.

Current financial assets at December 31, 2021, together with unused committed bank lines, are sufficient to fully cover the Group's financial liabilities due for the next 36 months.

The following tables report the contractual cash flows, not discounted to present value, relative to gross financial debt at nominal repayment amounts and the interest flows, determined using the terms and the interest and exchange rates in place at December 31, 2021. The portions of principal and interest of the hedged liabilities includes both the disbursements and the receipts of the relative hedging derivatives. Specifically, the interest portions of "Loans and other financial liabilities" also include those relating to derivatives hedging for both loans and bonds.

Financial liabilities – Maturities of contractually expected disbursements

(million euros)		maturing by 12/31 of the year: 2022	2023	2024	2025	2026	After 2026	Total
Bonds	Principal	3,098	2,446	3,324	2,000	1,750	7,720	20,338
	Interest portion	810	749	626	515	444	3,717	6,861
Loans and other financial liabilities (*)	Principal	784	712	977	1,075	1,570	159	5,277
	Interest portion	(3)	(10)	(16)	(9)	(22)	(478)	(538)
Financial lease liabilities	Principal	616	557	587	473	453	1,995	4,681
	Interest portion	155	141	126	109	93	319	943
Non-current financial liabilities	**Principal**	**4,498**	**3,715**	**4,888**	**3,548**	**3,773**	**9,874**	**30,296**
	Interest portion	**962**	**880**	**736**	**615**	**515**	**3,558**	**7,266**
Current financial liabilities	**Principal**	**1,536**	**—**	**—**	**—**	**—**	**—**	**1,536**
	Interest portion	**4**	**—**	**—**	**—**	**—**	**—**	**4**
Total	**Principal**	**6,034**	**3,715**	**4,888**	**3,548**	**3,773**	**9,874**	**31,832**
	Interest portion	**966**	**880**	**736**	**615**	**515**	**3,558**	**7,270**

(*) These include hedging and non-hedging derivatives.

Derivatives on financial liabilities – Contractually expected interest flows

(million euros)	maturing by 12/31 of the year: 2022	2023	2024	2025	2026	After 2026	Total
Disbursements	256	250	198	175	175	1,423	2,477
Receipts	(357)	(347)	(272)	(232)	(232)	(1,998)	(3,438)
Hedging derivatives – net (receipts) disbursements	**(101)**	**(97)**	**(74)**	**(57)**	**(57)**	**(575)**	**(961)**
Disbursements	140	59	145	46	122	—	512
Receipts	(105)	(30)	(124)	(27)	(109)	—	(395)
Non-Hedging derivatives – net (receipts) disbursements	**35**	**29**	**21**	**19**	**13**	**—**	**117**
Total net receipts (disbursements)	**(66)**	**(68)**	**(53)**	**(38)**	**(44)**	**(575)**	**(844)**

Market value of derivatives

In order to determine the fair value of derivatives, the TIM Group uses various valuation models.

The mark-to-market calculation is determined by the present value discounting of the interest and notional future contractual flows using market interest rates and exchange rates.

The notional amount of IRS does not represent the amount exchanged between the parties and, therefore, is not a measurement of credit risk exposure, which, instead, is limited to the amount of the difference between the interest rates paid/received.

The market value of CCIRSs, on the other hand, also depends on the differential between the reference exchange rate at the date of signing the contract and the exchange rate at the date of measurement, since CCIRSs involve the exchange of the reference interest and principal, in the respective denomination currencies.

Options are measured according to the Black & Scholes or Binomial models and involve the use of various measurements factors, such as: the lifetime horizon of the option, the risk-free rate of return, current price, volatility and any cash flows (e.g. dividend) of the underlying financial instrument, and the exercise price.

NOTE 18
DERIVATIVES

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

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

Derivative financial instruments existing at December 31, 2021 are principally used to manage debt positions. They include interest rate swaps (IRSs) used to reduce the interest rate exposure of fixed-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), currency forwards and foreign exchange options to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.

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

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

Hedging: economic relationship between underlying instrument and derivatives

Hedging relationships recorded in hedge accounting at 12/31/2021 belong to two categories: i) hedging of the fair value of bond issues denominated in euros and ii) hedging of cash flows from income flows of bond issues and future trade items denominated in currencies other than the Euro.
In the first case, the hedged risk is represented by the fair value of the bond attributable to euro interest rates and is hedged by IRS. The current value of both the underlying and derivative instruments, depends on the structure of the Euro market interest rates at the basis of the calculation of discount factors and floating interest flows of the derivative. In particular, interest rate fluctuations translate as changes in the discount factors of the fixed-interest expense flow on the underlying instrument; on the derivative, changes in the discount factor of interest income will occur, as well as changes in the nominal flow of variable interest (only partially corrected by the discounting effect). The effects induced on the derivative are opposite, in accounting terms, to the effects on the underlying instrument.

In the second case, relating to the bond issues, the hedged risk is represented by the variability in cash flows (and the repayment of the nominal amount) generated by exchange rates; hedging comprises combinations of IRS and CCIRS that synthetically transform fixed rate foreign currency income flows into fixed rate euro flows. In this case, exchange rate fluctuations will usually produce physiologically opposite effects on the underlying instrument and on the derivative, as the receivable leg of the latter faithfully reflects the underlying instrument, while the payable leg is denominated in euros, and is therefore insensitive to the exchange rate. As regards the commercial forecast transactions, the risk hedged is always ascribed to the variability of the cash flow linked to exchange rates, but the hedge is assured through an active deposit denominated in the same currency as the items hedged; the write-backs/write-downs of the deposit in foreign currency generated by oscillations in the exchange rate are structurally the same and opposite to the impacts produced on the underlying items.

Hedges: determination of the hedge ratio

The types of hedging implemented by the Group require the adoption of a hedge ratio equal to 1:1, as the types of risk hedged (interest rate and exchange rate risks) are such as to generate economic effects in the underlying instruments that can only be offset by the same notional quantities of derivative instruments.

Hedges: potential sources of ineffectiveness

The contractualization of derivatives to hedge financial risks takes place at arm's length and aims to completely neutralize the effects produced by such instruments.

However, in practice, both fair value hedges and cash flows hedges, although financially perfect, may not guarantee an absolute accounting effectiveness due to the many counterparty banks involved, to the peculiar nature of certain derivatives in terms, for example, of fixing and/or indexing of variable parameters, and to the possible imperfect coincidence between critical terms.

The first table indicates total financial derivatives of the TIM Group at December 31, 2021 and 2020; in compliance with standard IFRS 7, notional amounts are shown with reference to all the derivative instruments involved in the hedges.

The following tables break down financial derivatives by type of risk for each kind of hedging, separating financial assets and liabilities. For CCIRS, the notional amount refers to the contractual value in euros, for IRS in a currency other than the euro, the value is indicated at the market exchange rate.

Type (million euros)	Hedged risk	Notional amount at 12/31/2021	Notional amount at 12/31/2020	Mark to Market Spot* (Clean Price) at 12/31/2021	Spot Mark-to-Market* (Clean Price) at 12/31/2021
Interest rate swaps	Interest rate risk	300	4,334	3	192
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	—	—	—	—
Total Fair Value Hedge Derivatives		**300**	**4,334**	**3**	**192**
Interest rate swaps	Interest rate risk	4,855	5,594	375	421
Cross Currency and Interest Rate Swaps (CCIRS)	Interest rate risk and currency exchange rate risk	5,195	5,042	173	(519)
Total Cash Flow Hedge Derivatives		**10,050**	**10,636**	**548**	**(98)**
Total Non-Hedge Accounting Derivatives		**2,702**	**604**	**60**	**82**
Total TIM Group's Derivatives		**13,052**	**15,574**	**611**	**176**

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

The positions in non hedge accounting derivatives also include IRS Euros for a total notional amount of 1,834 million euros; specifically, these are fair value hedges of bond loans in euros, issued by TIM S.p.A., which transform the fixed-rate coupon into a variable-rate one. The hedges - classified and booked as fair value hedges starting 2013 - have been retroactively discontinued from June 30, 2021 due to the failure of the prospective efficiency tests carried out at December 31, 2021. The test was failed due to the procedure used for fixing in arrears the variable rate benchmark of the derivatives - defined by contract - which can generate misalignments of fair value between the derivative and the underlying bond loan in the prospective volatility risk reduction test in the approach to the maturity date of the hedge.
It is specified that, although formally classified as non-hedge, these derivatives substantively continue to guarantee the desired profile of financial expenses in connection with the related bonds.
In the same item, the following are also noted:

- the value - equal to a fair value of 15 million euros (liabilities) - of the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Sarl, as minority shareholder, under the scope of the FiberCop transaction
- the value of the right held by TIM Brasil to subscribe shares of the Brazilian C6 Bank - of 72 million euros - on the basis of a commercial agreement signed by the two companies in March 2020.

Fair value hedges (million euros)	Accounting item		Notional value	Carrying amount	Change in fair value for the year
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)	**300**	**3**	**(190)**
Assets				3	
Liabilities				—	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	**—**	**—**	**—**
Assets				**—**	
Liabilities				**—**	
Derivative instruments (spot value)		a)+b)	**300**	**3**	**(190)**
Accruals				1	
Derivative instruments (gross value)				**4**	
Underlying instruments [1]	Bonds - Current/non-current liabilities		**300**	**(303)**	
of which fair value adjustment	Fair value adjustment and measurements at amortized cost	c)		(3)	183
Ineffectiveness [2]		a)+b)+c)			(4)
Fair value adjustment for hedging settled in advance [3]				(190)	

(1) Includes the amortized cost value of bonds currently hedged plus the fair value adjustment.
(2) Also considers the year's change in derivatives and underlyings belonging to hedges closed early and discontinued in 2021.
(3) Referred to bonds no longer hedged, which are therefore not presented in the table.

Cash flow hedges (million euros)	Accounting item		Notional value	Carrying amount	Change in fair value for the year	Change in cumulative fair value
Interest rate swaps	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	a)	**4,855**	**375**	**(46)**	
Assets				1,131	(274)	
Liabilities				(756)	228	
Cross Currency and Interest Rate Swaps (CCIRS)	Hedging derivatives relating to hedged items classified as current financial assets/liabilities - Current/non-current assets.	b)	**5,195**	**173**	**692**	
Assets				755	425	
Liabilities				(582)	267	
Derivative instruments (spot value)		a)+b)	**10,050**	**548**	**646**	
Accruals				65		
Derivative instruments (gross value)				**613**		
of which equity reserve gains and losses					255	
Determination of ineffectiveness						
Change in derivatives		c)				141
Change in underlying instruments [(4)]		d)				(132)
Ineffectiveness [(5)]	Positive fair value adjustment of financial derivatives - non-hedging	c)+d)				13
Equity reserve						
Equity reserve balance				(167)		
of which due to the fair value of hedging settled in advance				—		
Reclassification to P&L	Negative reversal of the reserve for the fair value adjustment of hedging derivatives (cash flow hedges)				—	

(4) Hypothetical derivatives used in measuring the effectiveness of cash flow hedges.
(5) The ineffectiveness, due to its nature and calculation, does not necessarily coincide with the difference in cumulative changes in the fair value of derivatives and the underlying instrument; the effect due to the adoption of CVA/DVA is not considered.

As regards hedging of the forecast transaction - reflected only in the numbers of the equity reserve in the table above - these are future commercial flows for 106 million USD, to be paid in 7 years, hedged by a deposit denominated in the same currency and amount, renewed every three months.

The change in the equity reserve attributable to the effective hedging component is equal to 255 million euros.

Changes in the equity cash flow hedge reserve (million euros)	Balance 12/31/2020	Changes				Balance 12/31/2021
		Hedging instrument gains / losses	Reversal from reclassification	Reversal from fair value adjustment of hedging settled in advance	Other	
	(460)					(460)
Change in the effective fair value of derivatives		255				
Change in the CVA/DVA		19				
Reversal for ineffectiveness 2019			19			
Amortization in P&L of the fair value of hedging settled in advance				—		
Other					—	
Overall change						**(167)**

None of the parameters represented includes any income tax effect.

The transactions hedged by cash flow hedges will generate cash flows and produce economic effects in the income statement in the periods indicated in the following table:

Denomination currency	Notional amount in denomination currency (millions)	Start of period	End of period	Rate applied	Interest period	Hedging of notional amount in euro (millions)	Hedging of rate in euro
GBP	375	Jan-22	May-23	5.875%	Annually	552	5.535%
JPY*	20,000	Jan-22	Oct-29	5.000%	Semiannuall	174	5.940%
JPY**	20,000	Jan-22	Oct-29	0.750%	Semiannuall	138	0.696%
USD	1,000	Jan-22	Nov-33	6.375%	Semiannuall	849	5.994%
USD	1,500	Jan-22	May-24	5.303%	Semiannuall	1,099	4.226%
USD	1,000	Jan-22	Sept-34	6.000%	Semiannuall	794	4.332%
USD	1,000	Jan-22	July-36	7.200%	Semiannuall	791	5.884%
USD	1,000	Jan-22	Jun-38	7.721%	Semiannuall	645	7.470%

* Income cash flows are denominated in USD and calculated on a notional amount of USD 187.6 million.
** Hedging of the sole income cash flow following a step-up on the loan.

The method selected to test the effectiveness retrospectively and, whenever the main terms do not fully coincide, prospectively, for cash flow hedge derivatives and fair value hedge derivatives is the Volatility Risk Reduction (VRR) Test. This test assesses the ratio between the portfolio risk (meaning the derivative and the item hedged) and the risk of the hedged item taken individually. In essence, the portfolio risk must be significantly lower than the risk of the hedged item.

NOTE 19
SUPPLEMENTARY DISCLOSURES ON FINANCIAL INSTRUMENTS
Measurement at fair value

For the purposes of the comparative information between the carrying amounts and fair value of financial instruments, required by IFRS 7, the majority of the non-current financial liabilities of the TIM Group consist of bonds, whose fair value is directly observable in the financial markets, as they are financial instruments that due to their size and diffusion among investors, are commonly traded on the relevant markets (see the Note "Non-current and current financial liabilities"). For other types of financing, however, the following assumptions have been made in determining fair value:

- for variable-rate loans, the nominal repayment amount has been assumed;
- for fixed-rate loans, the present value of future cash flows at the market interest rates of December 31, 2021 has been assumed;
- the carrying amount has been used for some types of loans granted by government institutions for social development purposes, for which fair value cannot be reliably calculated.

Lastly, for the majority of financial assets, their carrying amount is a reasonable approximation of their fair value, since these are short-term investments that are readily convertible into cash.

The fair value measurement of the financial instruments of the Group has been classified in the three levels set out in IFRS 7. In particular, the fair value hierarchy introduces the following levels of input:

- Level 1: quoted prices in active markets;
- Level 2: prices calculated using observable market inputs;
- Level 3: prices calculated using inputs that are not based on observable market data.

The following tables contain, for assets and liabilities at December 31, 2021 and December 31, 2020 and in accordance with the categories established by IFRS 9, the supplementary disclosures on financial instruments required by IFRS 7 and the schedules of gains and losses. They do not include Discontinued operations/Non-current assets held for sale and Liabilities directly associated with Discontinued operations/Non-current assets held for sale.

Key for IFRS 9 categories

	Acronym
Financial assets measured at:	
Amortized cost	AC
Fair value through other comprehensive income	FVTOCI
Fair value through profit or loss	FVTPL
Financial liabilities measured at:	
Amortized cost	AC
Fair value through profit or loss	FVTPL
Hedging Derivatives	HD
Not applicable	n.a.

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2021

(million euros)	IFRS 9 categories	Notes	Carrying amount at 12/31/2021	Amounts recognized in financial statements			Levels of hierarchy or of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2021
				Amortized cost	Fair value recognized in the statements of comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
ASSETS											
Financial assets measured at amortized cost	AC		**10,1 15**	**10,115**	**—**	**—**					**10,115**
Non-current assets											
Receivables from employees		(9)		*39*							
Other financial receivables		(9)	*2*	*211*							
Miscellaneous non-current receivables		(10)	*14 4*	*144*							
Current assets											
Receivables from employees		(9)		*12*							
Other short-term financial receivables		(9)		*9*							
Cash and cash equivalents		(9)	*6,90*	*6,904*							
Trade receivables		(13)	*2,6*	*2,675*							
Other current receivables		(13)	*1*	*101*							
Contract assets		(13)	*2*	*20*							
Financial assets measured at fair value through other comprehensive income	FVTOCI		**1,6 71**	**—**	**1,671**	**—**					**1,671**
Non-current assets											
Other investments		(8)	*15*		*156*		*—*	*114*	*42*		
Securities other than investments		(9)			*—*		*—*				
Current assets											
Trade receivables		(13)			*—*						
Securities other than investments		(9)	*1,5*		*1,515*		*1,515*				
Financial assets measured at fair value through profit or loss	FVTPL		**8 75**	**—**	**—**	**875**					**875**
Non-current assets											
Non-hedging derivatives		(9)	*10*			*100*		*100*	*—*		
Current assets											
Securities other than investments		(9)	*7*			*734*	*734*				
Non-hedging derivatives		(9)				*41*		*41*			
Hedging Derivatives	HD		**2,0**	**—**	**2,012**	**3**					**2,015**
Non-current assets											
Hedging Derivatives		(9)	*1,9*		*1,933*	*2*		*1,935*	*—*		
Current assets											
Hedging Derivatives		(9)	*8*		*79*	*1*		*80*	*—*		
Financial receivables for lease contracts	n.a.		**1 01**							**101**	**101**
Non-current assets		(9)								*45*	
Current assets		(9)	*5*							*56*	
Total			**14,7**	**10,115**	**3,683**	**878**	**2,249**	**2,270**	**42**	**101**	**14,777**

The financial instruments belonging to hierarchy level 3 of fair value are represented by the following Other investments recognized as Non-current assets, for which directly or indirectly observable prices on the market are not available:

- Northgate CommsTech Innovations Partners L.P.;
- UV T-Growth;
- Other minor companies.

Northgate CommsTech Innovations Partners L.P. and UV-T Growth was measured based on the latest available Net Asset Values reported by the fund managers.

The other minor companies were measured on the basis of an analysis, deemed reliable, of their main assets and liabilities.

The profit/(loss) recognized in Other components of the Consolidated Statements of Comprehensive Income were recognized within the scope of the Reserve for financial assets measured at fair value through other comprehensive income.

(million euros)	IFRS 9 categories	Notes	Carrying amount at 12/31/2021	Amounts recognized in financial statements			Levels of hierarchy or of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2021
				Amortized cost	Fair value recognized in the statements of comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
LIABILITIES											
Financial liabilities measured at amortized cost	AC/HD		**35,096**	**35,096**							**36,077**
Non-current liabilities											
Financial payables (medium/long-term)		(15)	*22,083*	*22,083*							
Current liabilities											
Financial payables (short-term)		(15)	*5,8*	*5,847*							
Trade and miscellaneous payables and other current liabilities		(23)	*7,056*	*7,056*							
Contract liabilities		(23)	*11*	*110*							
Financial liabilities measured at fair value through profit or loss	FVTPL		**53**			**53**					**53**
Non-current liabilities											
Non-hedging derivatives		(15)				*17*		*2*	*15*		
Current liabilities											
Non-hedging derivatives		(15)	*3*			*36*		*36*	*—*		
Hedging Derivatives	HD		**1,3**		**1,399**	**—**					**1,399**
Non-current liabilities											
Hedging Derivatives		(15)	*1,3*		*1,337*	*—*		*1,337*	*—*		
Current liabilities											
Hedging Derivatives		(15)			*62*	*—*		*62*	*—*		
Financial liabilities for lease contracts	n.a.		**4,715**							**4,715**	**5,542**
Non-current liabilities		(15)	*4,0*							*4,064*	
Current liabilities		(15)	*6*							*651*	
Total			**41,2**	**35,096**	**1,399**	**53**	**—**	**1,437**	**15**	**4,715**	**43,071**

Note that financial liabilities include a financial instrument for an amount of 15 million euros, belonging to hierarchy level 3 of fair value, for which directly or indirectly observable prices on the market are not available. This financial liability refers to the rights envisaged in the Transaction Agreement in the favor of Teemo Bidco Sarl, as minority shareholder, under the scope of the FiberCop transaction.

The measurement of the economic value of the financial liability has been taken using a valuation model defined internally by TIM. Through an econometric approach, the correlation has been first estimated between the targets set at a national level and a series of macro economic and social-demographic variables. Then taking into account the uncertainty as to how these variables will evolve and the market share of FiberCop, through Monte Carlo simulation, a series of possible developments of the phenomenon was calculated and the expected value of the financial liability, determined.

Carrying amount and fair value hierarchy for each category/class of financial asset/liability and comparison with their fair value at 12/31/2020

(million euros)	IFRS 9 categories	Notes	Carrying amount in financial statements at 12/31/2020	Amounts recognized in financial statements			Levels of hierarchy or of fair value			Carrying amount under IFRS 16	Fair Value at 12/31/2020
				Amortized cost	Fair value recognized in the statements of comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3		
ASSETS											
Financial assets measured at amortized cost	AC		**8,263**	**8,263**	**—**	**—**					**8,263**
Non-current assets											
Receivables from employees		(9)	*40*	*40*							
Other financial receivables		(9)	*213*	*213*							
Miscellaneous non-current		(10)	*151*	*151*							
Current assets											
Receivables from employees		(9)	*13*	*13*							
Other short-term financial receivables		(9)	*2*	*2*							
Cash and cash equivalents		(9)	*4,829*	*4,829*							
Trade receivables		(13)	*2,905*	*2,905*							
Other current receivables		(13)	*85*	*85*							
Contract assets		(13)	*25*	*25*							
Financial assets measured at fair value through other comprehensive income	FVTOCI		**821**	**—**	**821**	**—**					**821**
Non-current assets											
Other investments		(8)	*54*		*54*		*—*	*16*	*38*		
Securities other than investments		(9)	*—*		*—*		*—*				
Current assets											
Trade receivables		(13)			*—*						
Securities other than investments		(9)	*767*		*767*		*767*				
Financial assets measured at fair value through profit or loss	FVTPL		**419**	**—**	**—**	**419**					**419**
Non-current assets											
Non-hedging derivatives		(9)	*44*			*44*		*44*	*—*		
Current assets											
Securities other than investments		(9)	*325*			*325*	*325*				
Non-hedging derivatives		(9)	*50*			*50*		*50*			
Hedging Derivatives	HD		**2,067**	**—**	**1,851**	**216**					**2,067**
Non-current assets											
Hedging Derivatives		(9)	*1,970*		*1,778*	*192*		*1,970*	*—*		
Current assets											
Hedging Derivatives		(9)	*97*		*73*	*24*		*97*	*—*		
Financial receivables for lease contracts	n.a.		**98**							**98**	**98**
Non-current assets		(9)	*43*							*43*	
Current assets		(9)	*55*							*55*	
Total			**11,668**	**8,263**	**2,672**	**635**	**1,092**	**2,177**	**38**	**98**	**11,668**

(million euros)	IFRS 9 categories	Notes	Carrying amount in financial statements at 12/31/2020	Amounts recognized in financial statements			Levels of hierarchy or of fair value		Carrying amount under IFRS 16	Fair Value at 12/31/2020
				Amortized cost	Fair value recognized in the statements of comprehensive income	Fair value through profit or loss	Level 1	Level 2		
LIABILITIES										
Financial liabilities measured at amortized cost	AC/HD		**29,875**	**29,875**						**32,299**
Non-current liabilities										
Financial payables (medium/long-term)		(15)	*21,813*	*21,813*						—
Current liabilities										
Financial payables (short-term)		(15)	*3,613*	*3,613*						—
Trade and miscellaneous payables and other current liabilities		(23)	*4,329*	*4,329*						
Contract liabilities		(23)	*120*	*120*						
Financial liabilities measured at fair value through profit or loss	FVTPL		**12**			**12**				**12**
Non-current liabilities										
Non-hedging derivatives		(15)	*10*			*10*		*10*		
Current liabilities										
Non-hedging derivatives		(15)	*2*			*2*		*2*		
Hedging Derivatives	HD		**1,894**		**1,894**	**—**				**1,894**
Non-current liabilities										
Hedging Derivatives		(15)	*1,832*		*1,832*	—		*1,832*		
Current liabilities										
Hedging Derivatives		(15)	*62*		*62*	—		*62*		
Financial liabilities for lease contracts	n.a.		**4,830**						**4,830**	**5,103**
Non-current liabilities		(15)	*4,199*						*4,199*	
Current liabilities		(15)	*631*						*631*	
Total			**36,611**	**29,875**	**1,894**	**12**	**—**	**1,906**	**4,830**	**39,308**

Gains and losses by IAS 9 category - Year 2021

(million euros)	Categories IFRS9	Net gains/(losses) 2021	of which interest
Assets measured at amortized cost	AC	(275)	62
Assets and liabilities measured at fair value through profit or loss	FVTPL	(10)	
Assets measured at fair value recognized in the statements of comprehensive income	FVTOCI	5	
Liabilities measured at amortized cost	AC	(958)	870
Total		**(1,238)**	**932**

Gains and losses by IAS 9 category - Year 2020

(million euros)	IFRS 9 categories	Net gains/(losses) 2020	of which interest
Assets measured at amortized cost	AC	(441)	23
Assets and liabilities measured at fair value through profit or loss	FVTPL	108	
Assets measured at fair value recognized in the statements of comprehensive income	FVTOCI	3	
Liabilities measured at amortized cost	AC	(967)	961
Total		**(1,297)**	**984**

NOTE 20
PROVISIONS FOR EMPLOYEE BENEFITS

These decreased by 64 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)		12/31/2019	Increases/ Present value	Decrease	Exchange differences and other changes	12/31/2020
Provision for employee severance indemnities	**(a)**	**841**	**—**	**(142)**	**2**	**701**
Provisions for pension plans		24	1	(2)	—	23
Provision for termination benefit incentives and corporate restructuring		559	34	(552)	(2)	39
Total other employee benefits	**(b)**	**583**	**35**	**(554)**	**(2)**	**62**
Total	**(a+b)**	**1,424**	**35**	**(696)**	**—**	**763**
of which:						
non-current portion		1,182				724
current portion (*)		242				39

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

(million euros)		12/31/2020	Increases/ Present value	Decrease	Exchange differences and other changes	12/31/2021
Provision for employee severance indemnities	**(a)**	**701**	**20**	**(48)**	**5**	**678**
Provision for pension and other plans		23		(2)		21
Provision for termination benefit incentives and corporate restructuring		39	8	(44)	(3)	—
Total other employee benefits	**(b)**	**62**	**8**	**(46)**	**(3)**	**21**
Total	**(a+b)**	**763**	**28**	**(94)**	**2**	**699**
of which:						
non-current portion		724				699
current portion (*)		39				—

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

The **Provision for employee severance indemnities (T.F.R.)** only refers to Italian companies and decreased on the whole by 23 million euros. The decreases of 48 million euros relating to indemnities paid during the year to employees who terminated employment or for advances.

The increase of 20 million euros in the “Increases/Present value” column consists of the following:

(million euros)	2021	2020
(Positive)/negative effect of curtailment	—	(1)
Current service cost (*)	—	—
Finance expenses	5	6
Net actuarial (gains) losses for the year	15	(5)
Total	**20**	**—**
Effective return on plan assets	there are no assets servicing the plan	

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

The net actuarial losses recognized at December 31, 2021 amounted to 15 million euros (net actuarial gains of 5 million euros in 2020), and are essentially connected with the inflation rate forecast, which went from 0.8% at December 31, 2020 to 1.75% at December 31, 2021; the discount rate also increased, going from the 0.34% used at December 31, 2020 to 0.98% at December 31, 2021.

According to national law, the amount of provision for employee severance indemnities to which each employee is entitled depends on the period of service and must be paid when the employee leaves the company. The amount of severance indemnity due upon termination of employment is calculated on the basis of the period of employment and the taxable compensation of each employee. This liability is adjusted annually based on the official cost-of-living index and legally-set interest. The liability is not associated with any vesting condition or period or any funding obligation; accordingly, there are no assets servicing the

provision. The liability is recognized net of the partial prepayments of the provision and payments of the amounts obtained by employees for the reasons permitted by the applicable regulations.

Under the regulations introduced by Italian Legislative Decree 252/2005 and Law no. 296/2006 with which, for companies with at least 50 employees, the severance indemnities accruing from 2007 are assigned, as elected by the employees, to either the INPS Treasury Fund or to supplementary pension funds and take the form of a "defined contribution plan".

However, for all companies, the revaluations of the amounts in the provision for employee severance indemnities existing at the election date, and also the amounts accrued and not assigned to supplementary pension plans for companies with less than 50 employees, are retained in the provision for employee severance indemnities. In accordance with IAS 19, the provision has been recognized as a "defined benefit plan".

In application of IAS 19, employee severance indemnities have been calculated using the "Projected Unit Credit Method" as follows:

- the future possible benefits which could be paid to each employee registered in the program in the event of retirement, death, disability, resignation etc. have been projected on the basis of a series of financial assumptions (cost-of-living increases, interest rate, increase in compensation etc.). The estimate of future benefits includes any increases for additional service seniority, as well as the estimated increase in the compensation level at the measurement date – only for employees of companies with less than 50 employees during the year 2006;
- the average present value of future benefits has been calculated, at the measurement date, on the basis of the annual interest rate adopted and of the probability that each benefit actually has to be paid;
- the liability of each company concerned has been calculated as the average present value of future benefits that will be generated by the existing provision at the measurement date, without considering any future accruals (for companies with at least 50 employees during the year 2006) or by identifying the amount of the average present value of future benefits which refer to the past service already accrued by the employee in the company at the measurement date (for the others), i.e. adopting the "service pro-rate".

The following assumptions have been made:

FINANCIAL ASSUMPTIONS	Executives	Non-executives
Inflation rate	**1.75% per annum**	**1.75% per annum**
Discount rate	**0.98% per annum**	**0.98% per annum**
Employee severance indemnities annual increase rate	**2.81% per annum**	**2.81% per annum**
Annual real wage growth:		
equal to or less than 40 years of age	1.0% per annum	1.0% per annum
over 40 but equal to or less than 55 years of age	0.5% per annum	0.5% per annum
over 55 years of age	0.0% per annum	0.0% per annum

DEMOGRAPHIC ASSUMPTIONS	Executives	Non-executives
Probability of death	Mortality tables RG48 published by Ragioneria Generale dello Stato	Mortality tables RG48 published by Ragioneria Generale dello Stato
Probability of disability	INPS tables divided by age and sex	INPS tables divided by age and sex
Probability of resignation:		
up to 40 years of age	2.00%	1.00%
from 41 to 50 years of age	2.00%	0.50%
from 51 to 59 years of age	1.00%	0.50%
from 60 to 64 years of age	None	0.50%
aged 65 and over	None	None
Probability of retirement	100% on achievement of the AGO requirements aligned with D.L. 4/2019	
Probability of receiving at the beginning of the year an advance from the provision for severance indemnities accrued equal to 70%	1.5% per annum	1.5% per annum

The application of the above assumptions resulted in a liability for employee severance indemnities of 678 million euros at December 31, 2021 (701 million euros at December 31, 2020).

Reported below is a sensitivity analysis for each significant actuarial assumption adopted to calculate the liability as at year end, showing how the liability would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, stated in amounts.

The weighted average duration of the obligation of the Parent amounted to 10 years.

CHANGES IN ASSUMPTIONS	Amounts (million euros)
Turnover rate:	
+0.25 p.p.	2
- 0.25 p.p.	(2)
Annual inflation rate:	
+0.25 p.p.	(12)
- 0.25 p.p.	11
Annual discount rate:	
+0.25 p.p.	15
- 0.25 p.p.	(16)

The **Provision for pension and other plans** amounted to 21 million euros at December 31, 2021 (23 million euros at December 31, 2020) and mainly represented pension plans in place at foreign companies of the Group.

The **Provisions for incentive to take early retirement and company restructuring** reduce by a total of 39 million euros, zeroing during the period, as a result of outgoings and the reclassification to debt of the amounts not yet paid, relative to both plans already accrued during previous years and 2021 expenses, following the application of the trade union agreements signed by the Parent Company and the trade unions on March 8, 2021 and on April 23, 2021 as well as the expenses related to the agreements signed respectively on March 15, 2021 by the company Olivetti, on April 27, 2021 by the company Noovle S.p.A. and on May 6, 2021 by the company Telecom Italia Sparkle.

NOTE 21
PROVISIONS

These increased by 346 million euros compared to December 31, 2020. The breakdown is as follows:

(million euros)	12/31/2020	Increase	Taken to income	Used directly	Exchange differences and other changes	12/31/2021
Provision for taxation and tax risks	**67**	6	—	(3)	3	**73**
Provision for restoration costs	**274**	15	—	(8)	—	**281**
Provision for legal disputes	**747**	62	—	(370)	2	**441**
Provision for commercial risks	**29**	657	(3)	(7)	1	**677**
Provision for risks and charges on investments and corporate-related transactions	**21**	2	(4)	—	(7)	**12**
Other provisions	**4**	2	—	(2)	—	**4**
Total	**1,142**	**744**	**(7)**	**(390)**	**(1)**	**1,488**
of which:						
non-current portion	**770**					**926**
current portion	**372**					**562**

The non-current portion of provisions for risks and charges mainly relates to some of the provision for commercial risks, the provision for legal disputes and the provision for restoration costs. More specifically, in accordance with accounting policies, the total amount of the provision for restoration costs is calculated by re-measuring the amounts for which a probable outlay is envisaged, based on the estimated inflation rates for the individual due dates, and subsequently discounted to the reporting date based on the average cost of debt, taking into account cash outflow forecasts.

The **provision for taxation and tax risks** increased by 6 million euros compared to December 31, 2020.

The **provision for restoration costs** refers to the provision for the costs expected to be incurred for the restoration of leased properties and sites used in the mobile sector and for the dismantling of certain assets (particularly batteries and wooden piling); it mainly refers to the parent company (149 million euros), the company FiberCop (127 million euros) and the Brazil Business Unit (5 million euros).

The **provision for legal disputes** included the provision for litigation with other counterparties and employees. The amount at December 31, 2021 included 356 million euros for the Domestic Business Unit, a reduction on December 31, 2020 following use for transactions and legal agreements and 84 million euros for the Brazil Business Unit.

The **provision for commercial risks** relates to the Domestic Business Unit and mainly the Parent Company TIM S.p.A.. In 2021, it increased by 648 million euros, mainly following the posting of 548 million euros of Contractual Risk Provisions for Onerous Contracts (IAS 37) relative to contracts with certain counterparties for multimedia content offers. Further details are provided in the Note "Significant non-recurring Events and Transactions".

The **provision for risks and charges on investments and corporate-related transactions** reduces by 9 million euros on the previous year.

Other provisions for risks and charges come to 4 million euros and are essentially attributable to the Domestic Business Unit.

NOTE 22

MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item decreased by 2,189 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)		12/31/2021	12/31/2020
Miscellaneous payables (non-current)			
Payables to social security agencies		452	501
Income tax payables (*)		231	493
Other payables		7	1,748
	(a)	690	2,742
Other non-current liabilities			
Deferred revenues from customer contracts (Contract liabilities)		88	106
Other deferred revenue and income		368	460
Capital grants		267	294
	(b)	723	860
Total	(a+b)	1,413	3,602

(*) Analyzed in the Note "Income tax expense".

Miscellaneous non-current payables include:

- **Payables to social security agencies** amounting to 452 million euros, mainly relating to the aforementioned debt position with INPS for the application of the agreements signed with the trade unions relating to the application of Article 4, paragraphs 1-7ter, of Italian Law 92 of June 28, 2012 (for further details see the Note “Employee benefits expenses”). This debt position (non-current and current portion) is as follows:

(million euros)	12/31/2021	12/31/2020
Non-current payables		
Due from 2 to 5 years after the end of the reporting period	443	494
Due beyond 5 years after the end of the reporting period	9	7
	452	501
Current payables	258	298
Total	710	799

- **other payables** equal to 7 million euros at December 31, 2021. These decreased from December 31, 2020, essentially due to the reclassification to miscellaneous current payables of 1,738 million euros relating to the last installment to be paid by September 2022 relating to the purchase - which took place in 2018 - of the rights-of-use for the frequencies in the 694-790 MHz, 3600-3800 MHz and 26.5-27.5 GHz bands, to be allocated on 5G mobile communication services in Italy.

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

- **Deferred revenues from contracts with customers (contract liabilities)** of 88 million euros (106 million euros at December 31, 2020) which are reversed to the income statement according to the duration of the contractual obligations between the parties, averaging 24 months; therefore, the balance as at December 31, 2021 will be reversed to the income statement generally by 2023. In particular, the item includes:
  - TIM S.p.A. deferred revenues for subscription charges and rent and maintenance payments (42 million euros);
  - TIM S.p.A. deferred revenues for network access subscription charges (25 million euros);
  - Deferred revenues of TIM S.p.A. for outsourcing charges (13 million euros);
  - Deferred revenues for activation and installation fees charged on new TIM S.p.A. customer contracts (4 million euros): in this regard, it is noted that under IFRS 15 activation/installment revenues are allocated to other contract obligations and recognized throughout the period of performance of the contract, as they do not relate to separate performance obligations.
- **Other deferred revenue and income** totaling 368 million euros; the item consisted of the non-current portion (approx. 108 million euros) of the deferred gain on the sale and lease-back of telecommunication towers by the Brazil Business Unit;this item also includes deferred revenues related to agreements for the sale of the transmission capacity (lease operating income).
- **Capital grants** of 267 million euros: the item represents the component still to be released to the income statement based on the remaining useful life (estimated at around 18 years) of the assets that the grants refer to and is mainly connected to the realization of the infrastructures on the ultrabroadband-UBB and broadband-BB projects.

NOTE 23

TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

Miscellaneous payables and other non-current liabilities rose by 2,885 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)		12/31/2021	*of which Financial Instruments*	12/31/2020	*of which Financial Instruments*
Trade payables					
Payables to suppliers		4,745	*4,745*	3,689	*3,689*
Payables to other telecommunication operators		416	*416*	444	*444*
	(a)	**5,161**	***5,161***	**4,133**	***4,133***
Tax payables	**(b)**	**168**		**226**	
Miscellaneous payables					
Payables for employee compensation		176		166	
Payables to social security agencies		386		428	
Payables for TLC operating fee		165		80	
Dividends approved, but not yet paid to shareholders		36	*36*	33	*33*
Other		1,968	*1,859*	263	*163*
Employee benefits (except for employee severance indemnities) for the current portion expected to be settled within 12 months		—		39	
Provisions for risks and charges for the current portion expected to be settled within 12 months		562		372	
	(c)	**3,293**	***1,895***	**1,381**	***196***
Other current liabilities					
Liabilities from customer contracts (Contract liabilities)		757	*110*	741	*120*
Other deferred revenue and income		66		86	
Other		28		21	
	(d)	**851**	***110***	**848**	***120***
Total	**(a+b+c+d)**	**9,473**	***7,166***	**6,588**	***4,449***

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Trade payables amounting to 5,161 million euros (4,133 million euros at December 31, 2020), mainly refer to:

- TIM S.p.A. (3,574 million euros); the increase on December 31, 2020 reflects the dynamics of payments relative to bills payable;
- Brazil Business Unit (984 million euros); the increase on December 31, 2020 is connected with the November 2021 purchase of 5G licenses.

At December 31, 2021, trade payables due beyond 12 months totaled 73 million euros (44 at December 31, 2020) and are mainly represented by payables of the Brazil Business Unit for the purchase and renewal of telecommunications licenses, also including the payable due to Entidade Administradora da Conectividade de Escolas (EACE) for the development of certain infrastructural projects in Brazil in connection with the assignment of the rights of use of frequencies for 5G services.

For more details on the acquisition of 5G licenses in Brazil, see the Note on “Intangible assets”.

Tax payables amounted to 168 million euros and mainly consisted of both the tax payables of the Brazil Business Unit (72 million euros) and the payables of TIM S.p.A., mainly relating to the amount owed to the tax authorities for tax payables withheld as withholding agent (61 million euros), the amount payable for the government concession tax (5 million euros) and the VAT payable (2 million euros).

Miscellaneous payables mainly include:

- the residual payable relating to the acquisition, by TIM S.p.A., of the rights to use 5G licenses (1,738 million euros), reclassified in 2021 from Miscellaneous payables and other non-current liabilities following the deadline envisaged in 2022;
- the current debt position towards INPS in relation to the application of the agreements signed relating to Article 4, paragraphs 1-7ter, of Italian Law 92 of June 28, 2012, as described in the Note "Miscellaneous payables and other non-current liabilities".

Other current liabilities amounted to 851 million euros (848 million euros at December 31, 2020). They break down as follows:

- **Liabilities from customer contracts (Contract liabilities)**, totaling 757 million euros. This item includes liabilities to customers related to the obligations of Group companies to transfer goods and services for which have received a price. Liabilities with customers are shown below, which generally have a maturity within 12 months; therefore, the figure at December 31, 2021 will be paid back substantially by December 31, 2022.

  In particular:

  - **contract liabilities** amounting to 11 million euros; the item includes bundle contracts (good and services packages) with performance obligations with different timing for the recognition of revenues and consequent deferral of the fees originally recognized. The decrease recognized in the year 2021 (-8 million euros) was mainly linked to the launch of commercial offers that no longer require a fixed duration and the reversal to the income statement of the balance previously accumulated;;
  - **customer-related items**, equal to 389 million euros; the item includes trade payables following contractual relationships, such as the payable for prepaid traffic and the subscription fees charged in advance;
  - **progress payments and advances** equal to 63 million euros relating to trade payables following prepayments, such as deposits made by subscribers for telephone calls;
  - **deferred revenues from customer contracts**, equal to 294 million euros essentially include:
    - Parent Company deferred revenues for rent and maintenance fees (131 million euros);
    - Parent Company deferred revenues for interconnection fees (116 million euros);
    - Parent Company deferred revenues on activation and installation of new contracts with customers (7 million euros).
- **Other deferred revenue and income** amounted to 66 million euros. They mainly refer to deferred revenues from transmission capacity transfer contracts and deferred revenues from real estate leases (lease operating income).
- **Other** (28 million euros, 21 million euros at December 31, 2020): this refers to payables for advances on work in progress on networks.

NOTE 24

DISPUTES AND PENDING LEGAL ACTIONS, OTHER INFORMATION, COMMITMENTS AND GUARANTEES

A description is provided below of the most significant judicial, arbitration and tax disputes in which TIM Group companies are involved at December 31, 2021, as well as those that came to an end during the period.
The TIM Group has posted liabilities totaling 313 million euros for those disputes described below where the risk of losing the case has been considered probable.
It should be noted that for some disputes described below, on the basis of the information available at the closing date of the Annual Financial Report and with particular reference to the complexity of the proceedings, to their progress, and to elements of uncertainty of a technical-trial nature, it was not possible to make a reliable estimate of the size and/or times of possible payments, if any. Moreover, in those cases in which disclosure of information on a dispute could seriously jeopardize the position of TIM or its subsidiaries, only the general nature of the dispute is described.
Lastly, as regards proceedings with the Antitrust Authority, note that based on Article 15, paragraph 1 of Law 287/1990 ("Antitrust regulations"), the Authority has the right to impose an administrative sanction calculated on the turnover of the Group in cases of breaches considered serious.

a) Significant disputes and pending legal actions

International tax and regulatory disputes

At December 31, 2021, companies belonging to the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 16.3 billion reais (16.6 billion reais at December 31, 2020). The main types of litigation are listed below, classified according to the tax to which they refer.

Federal taxes

In relation to the federal level of taxation, the following disputes should be noted:

- disallowance of the tax effects of the merger between the companies of the TIM Brasil Group;
- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself;
- challenges regarding offsetting against previous tax losses;
- further challenges regarding the tax deductibility of the amortization of goodwill;
- imposition of income tax on certain types of exchange rate differences;
- imposition of withholding taxes on certain types of payments to foreign entities (for example, payments for international roaming);
- further challenges regarding offsets made between taxes payable and group company credit positions.

Overall, the risk for these cases, considered to be possible, amounts to 3.1 billion reais (4.3 billion reais at December 31, 2020).

State taxes

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

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

Overall, the risk for these cases, considered to be possible, amounts to 8.8 billion reais (8.6 billion reais at December 31, 2020).

Municipal taxes

Among disputes classified with a "possible" degree of risk, there are some relating to municipal taxes for a total amounting to around 1.2 billion reais (around 0.7 billion reais at December 31, 2020).

FUST and FUNTTEL

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

Overall, the risk for these cases, considered to be possible, amounts to 3.2 billion reais (3 billion reais at December 31, 2020).

Administrative offense charge pursuant to Legislative Decree 231/2001 for the so-called TIM Security Affair

In December 2008 TIM received notification of the application for its committal for trial for the administrative offense specified in articles 21 and 25, subsections 2 and 4, of legislative decree no. 231/2001 in relation to the affairs that involved several former employees of the Security function and former collaborators of the Company charged – among other things – with offenses involving corruption of public officials, with the object of acquiring information from confidential files. In May 2010 TIM definitively ceased to be a defendant in the criminal trial, the Judge for the Preliminary Hearing having approved the motion for settlement of the proceedings (plea bargaining) presented by the Company. In the hearing before Section One of the Milan Court of Assizes, TIM acted in the dual role of civil party and civilly liable party. In fact, on the one hand it was admitted as civil party against all the defendants for all charges, and on the other it was also cited as the party with civil liability pursuant to article 2049 of the Italian Civil Code for the actions of the defendants in relation to 32 civil parties. Telecom Italia Latam and Telecom Italia Audit and Compliance Services (now incorporated into TIM) also participated in the hearing as civil parties, having filed appearances since the Preliminary Hearing and brought charges against the defendants for hacking. After the lengthy evidence hearings, 22 civil parties filed claims for compensation, also against TIM as civilly liable party, for over 60 million euros (over 42 million euros of which requested by a single civil party). The Company itself, as civil party, also summarized its conclusions against the defendants, requesting that they be found liable for all the damages suffered as a result of the facts of the case. In February 2013, Section 1 of the Milan Court of Assizes issued the first instance judgement, sentencing the defendants to terms of imprisonment of between 7 years and 6 months and one year. The Court also recognized that there had been non-pecuniary damage to some of the civil parties as a consequence of the alleged facts, and sentenced the defendants, jointly and severally with civilly liable party TIM, to compensate said damages, totaling 270,000 euros (in part jointly and severally with Pirelli) plus legal fees; at the same time the Court also sentenced the defendants to pay compensation for pecuniary and non-pecuniary damages incurred by the Company, granting it a provisional sum of 10 million euros. The judgement also recognized the existence of non-pecuniary damage to the companies Telecom Italia Latam and Telecom Italia Audit & Compliance Services, sentencing the defendants to pay compensation for damages on an equitable basis of 20,000 euros for each company. In November 2013 the grounds for the judgement in the first instance were published (which, for its part, the Company decided not to contest). At the end of the appeal, which was brought by the convicted defendants, the judgement in the first instance was partly reversed. The appeal judge acknowledged that the time-limit had expired on the majority of the charges and made an order not to proceed against the defendants who had been convicted in the lower court, with the exception of two former private investigators, who were found guilty of the offense of revealing information which was subject to a prohibition on disclosure. As for the civil judgements, the Court revoked those made by the judge of first instance and ruled in favor of three ministries, AGCM (the Italian Competition Authority) and the Revenues Agency. The Court also decided to revoke the provisional sum of 10 million euros awarded to the Company as civil party at the end of the proceedings in the court of first instance, making a generic ruling that the defendants should pay compensatory civil damages. Finally, the appeal judge also rejected all the demands for compensation advanced in the appeals by certain civil parties for a total of about 60 million euros, in respect of which the Company has the role of party liable for damages. At the end of the appeal, therefore, the civil rulings settled in the first instance were confirmed which TIM, as the party liable for damages, had already paid to the damaged requesting parties. The three defendants brought an appeal to the Court of Cassation against the judgement of the second instance issued by the Milan Appeal Court of Assizes. In April 2018 the Supreme Court confirmed the convictions of the defendants and canceled the civil rulings, referring the issue back to the civil court for a more careful assessment of the claims made, above all concerning proof of the "quantum". It also annulled and referred the confiscation in favor of the State. The annulment of the security measure was lastly and definitively confirmed with a ruling by the Court of Cassation filed in January 2021.

Golden Power Case

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

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

The Company, is convinced that it has the legal arguments to demonstrate that it was under no obligation to notify the control exercised over it by Vivendi, filed separate extraordinary appeals to the President of the Republic to request the abrogation of the order of September 2017 and before the Lazio Regional Administrative Court (TAR) against the aforementioned order of May 8, 2018, which imposed a financial penalty, requesting its precautionary suspension. As regards the appeal to the Lazio Regional Administrative Court (TAR) against the provision of May 8, 2018, which imposed the financial penalty, the TAR, in upholding in July 2018 the interim petition lodged by the Company, has suspended payment of the penalty. Subsequently, with a non-definitive ruling in May 2019, the Lazio Regional Administrative Court (TAR)R: (i) accepted TIM's

request for provisional measures to suspend the fine conditional on the offer of the guarantee; (ii) granted the suspension of the procedure to wait for the final judgment in the (injurious) case pending before the President of the Republic regarding the notification obligation, pursuant to the Golden Power provisions; (iii) rejected the procedural objections raised by the defendant administrations.

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

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

On the other hand, the Presidency of the Council of Ministers exercised the special powers prescribed in the Golden Power law through two specific rulings in October and November 2017 with which it imposed specific prescriptions and conditions on TIM and on the companies of the Telecom Italia Sparkle group and Telsy Elettronica e Telecomunicazioni (now Telsy S.p.A.).

The prescriptions, according to the Administrative Authority, are essentially connected to the circumstance that these companies, in part, perform activities that are relevant for national security and as far as TIM is concerned to the circumstance that it also owns the infrastructure and the systems used to provide access to end-users of services covered by the universal service obligation.

Any failure on the part of the recipients of the measures to execute said conditions and prescriptions is penalized in the same way as failure to notify significant deeds for the purpose of the application of the so-called Golden Power.

The companies subject to the prescriptions are required to send periodic reports to a special Monitoring Committee established at the office of the Prime Minister in order to verify compliance with the aforementioned prescriptions.

In December 2017 the Group sent to the Presidency of the Council of Ministers the first compliance report outlining all the proposals and activities put in place to carry out the prescriptions. This report is then followed by half yearly reports, as required by current legislation.

Nevertheless, also for this case TIM has already filed two extraordinary appeals to the President of the Republic to request the cancellation (i) of the imposition of the measures pursuant to Art. 1 D.L. 21/2012 and (ii) the imposition of measures pursuant to Art. 2 D.L. 21/2012.

As stated, the premise for exercising special powers was (erroneously, according to the Company) referred to the de facto control resulting from the outcome of the shareholders' meeting of May 4, 2017 and to the direction and coordination of TIM by Vivendi. Both these circumstances no longer apply, since: at the Shareholders' Meeting of May 4, 2018, the slate presented by the shareholders Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership received the majority vote; the Board of Directors was re-appointed with 13 independent directors out of a total of 15, with only 5 from the slate presented by Vivendi; thus, Vivendi no longer has direction and coordination, nor is there de facto control.

In consequence, the Company has asked the Presidency of the Council of Ministers to repeal the two Decrees, while, in the alternative, expressing its willingness to collaborate in the redrafting of the prescriptions applied to TIM, to take account of the changed situation.

The Presidency of the Council of Ministers, in decrees issued on July 6, 2018, deemed that it could not further exercise its special powers, reaffirming the validity of the two Decrees it had previously issued, and rejected the application for their repeal.

The justification for this refusal is the purported circumstance that the new governance arrangements of the Company are alleged to be currently characterized by extreme variability; this, it is argued, means that the measures through which the special powers have been exercised cannot be surmounted, given the need to protect the public interest in the security and operation of the networks.

The Company has lodged an appeal, with additional reasons and as part of the appeals already lodged, against the Prime Minister's decrees of October 16 and November 2, 2017, and against the Prime Minister's resolution of July 6, 2018, rejecting the appeal for revocation presented by the company, on the outcome of the changed situation in corporate governance.

Antitrust Case A428

At the conclusion of case A428, in May 2013, Italian Competition Authority AGCM imposed two administrative sanctions of 88,182,000 euros and 15,612,000 euros on TIM for abuse of its dominant position. The Company allegedly (i) hindered or delayed activation of access services requested by OLOs through unjustified and spurious refusals; (ii) offered its access services to final customers at economic and technical conditions that allegedly could not be matched by competitors purchasing wholesale access services from TIM itself, only in those geographic areas of the Country where disaggregated access services to the local network are available, and hence where other operators can compete more effectively with the Company.

TIM appealed against the decision before the Regional Administrative Court (TAR) for Lazio, applying for payment of the fine to be suspended. In particular, it alleged: infringement of its rights to defend itself in the proceedings, the circumstance that the organizational choices challenged by AGCM (the Italian Competition Authority) and allegedly at the base of the abuse of the OLO provisioning processes had been the subject of specific rulings made by the industry regulator (AGCom), the circumstance that the comparative examination of the internal/external provisioning processes had in fact shown better results for the OLOs than for the TIM retail department (hence the lack of any form of inequality of treatment and/or opportunistic behavior by TIM),

and (regarding the second abuse) the fact that the conduct was structurally unsuitable to reduce the margins of the OLOs.

In May 2014, the judgement of the Lazio TAR was published, rejecting TIM's appeal and confirming the fines imposed in the original order challenged. In September 2014 the Company appealed against this decision.

In May 2015, with the judgement no. 2497/15, the Council of State found the decision of the court of first instance did not present the deficiencies alleged by TIM and confirmed the AGCM ruling. The company had already proceeded to pay the fines and the accrued interest.

In a decision notified in July 2015, AGCM (the Italian Competition Authority) started proceedings for non-compliance against TIM, to ascertain if the Company had respected the notice to comply requiring it to refrain from undertaking behaviors analogous to those that were the object of the breach ascertained with the concluding decision in case A428 dated May 2013.

On January 13, 2017, TIM was served notice of AGCM's final assessment, which recognized that TIM had complied in full with the A428 decision and, as such, the conditions for the imposition of a fine for non-compliance were not present.

AGCM (the Italian Competition Authority) recognizes, furthermore, that TIM's behavior subsequently to the 2013 proceedings has been directed towards continuous improvement of its performance in the supply of wholesale access services concerning not only the services which were the subject of the investigation, but also the new super-fast broadband access services. In assessing compliance, AGCM (the Italian Competition Authority) recognized the positive impact of the implementation, albeit not yet completed, of TIM's New Equivalence Model (NME). The AGCM decision orders TIM to: (i) proceed with the implementation of the NME until its completion which is expected to be by April 30, 2017; (ii) to inform the Authority about the performance levels of the systems for providing wholesale access services and about the completion of the corresponding internal reorganization plan by the end of May 2017. The Company quickly complied with both orders, and AGCOM communicated its satisfaction on August 9, 2017.

Vodafone lodged an appeal with the Lazio Regional Administrative Court against the final decision in the proceedings for non-compliance taken by AGCM (the Italian Competition Authority). TIM filed an appearance, as in the other lawsuits filed in March 2017 by the operators CloudItalia, KPNQWest Italia and Digitel.

Vodafone (A428)

In August 2013, Vodafone, as incorporating company of operator Teletu, submitted to the Milan Court a huge claim for damages for presumed abusive and anticompetitive behavior (founded principally on AGCM case A428) which TIM allegedly implemented in the period 2008 - 2013. The pecuniary claim was quantified by Vodafone as an estimated sum of between 876 million euros and 1,029 million euros.

In particular, Vodafone alleged technical boycotting activities, with refusal to activate lines requested for Teletu customers (in the period from 2008 to the month of June 2013), together with the adoption of allegedly abusive price policies for wholesale network access services (period from 2008 to the month of June 2013). Furthermore, the other party complained of the presumed application of discounts to business customers greater than those envisaged ("margin squeezing") and the carrying out of presumed illegal and anticompetitive win-back practices (in the period from the second half of 2012 to the month of June 2013).

TIM filed an appearance, challenging the claims made by the other party regarding the merits and the amount and making a counterclaim. Following the August 2016 decision by the Court of Cassation which confirmed that the Milan Court had jurisdiction to decide the dispute, the merits of the case will be decided at the hearing in December 2016.

With writ of summons before the Milan Court served in May 28, 2015, Vodafone filed additional damages claims, all based on the same AGCM A428 decision and referring to alleged damages suffered between July 2013 and December 2014 (and hence over a period subsequent to that of the damages claim reported above), for a total amount of around 568.5 million euros.

The case also contains a reservation of further damages to be quantified, during the proceedings, for the following periods, the claimant alleging that the presumed abusive conduct of TIM continued. TIM filed an appearance, challenging the claims made by the other party regarding the merits and the amount and making a counterclaim.

By order of October 6, 2016, the judge received Vodafone's application for the two A428 lawsuits brought by it to be joined. At the end of the reinstatement proceedings of December 21, the terms were established for the preliminary briefs and a hearing was fixed for July 11, 2017 for the admission of evidence. When the first preliminary brief was filed, following the favorable outcome for TIM of proceedings A428C (which confirmed the absence of improper conduct by the Company under A428 after 2011), Vodafone decided nonetheless to file further claims for 2015-2016, thus restating its total claim to be 1,812 million euros, which was also disputed and rebutted by TIM.

The case was settled as part of a global settlement with Vodafone.

Colt Technology Services

With writ of summons before the Milan Court served in August 2015, the operator Colt Technology Services filed a damages claim based on the A428 decision, requesting compensation for alleged damages suffered from 2009 to 2011 as a result of purportedly inefficient and discriminatory conduct by TIM in the wholesale service supply process. The damage claimed was quantified as 27 million euros in loss of profits for the alleged non-acquisition of new customers, or for the alleged impossibility of supplying new services to the customers it had already acquired; the other party also formulated a request for compensation for the damages to its image and commercial reputation. This case follows the extrajudicial claim for approximately 23 million euros, previously advanced by Colt in June 2015, which the Company rejected in its entirety. TIM filed an appearance, contesting all of the plaintiff's allegations.

COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.)

With writ of summons before the Rome Court, COMM 3000 S.p.A.(formerly KPNQWest Italia S.p.A.) filed a damages claim for a total of 37 million euros in compensation for alleged anticompetitive and abusive conduct over the period 2009–2011, in the form of technical boycotting (refusals to activate wholesale services – KOs); the claim was based on the contents of the decision of AGCM (the Italian Competition Authority) that settled the A428 case. TIM filed an appearance, contesting all of the plaintiff's allegations. In the judgment with ruling in April 2019, the Court of Rome partially received the petitions of COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.), sentencing TIM to pay an amount significantly lower than the amount in the counterparty's damages claim. In June 2019, TIM appealed against the judgment. In the judgment given in April 2021, the Court of Appeal of Rome partly upheld TIM's appeal, reducing the amount of the compensation due to COMM 3000, which was in any case entirely covered by the relevant provision. In November 2021, TIM has appealed to the Court of Cassation over the judgment of the Court of Appeal of Rome in.

Teleunit

With a writ of summons issued in October 2009 before the Milan Appeal Court, Teleunit asked that TIM alleged acts of abuse of its dominant position in the premium services market be ascertained. The plaintiff quantified its damages at a total of approximately 362 million euros. TIM filed an appearance, contesting the claims of the other party.

After the ruling of January 2014 with which the Court of Appeal declared that it was not competent in this matter and referred the case to the Court, Teleunit reinstated the case before the Milan Court the following April. TIM filed an appearance in the reinstated proceedings challenging the plaintiff's claims.

In its judgement of May 2017, the Milan Court rejected Teleunit's claim in its entirety, and ordered the company to pay the legal costs of the case. This judgement was appealed by Teleunit, in June 2017, before the Milan Court of Appeal. TIM filed an appeal challenging the arguments presented by the other party and asking that the judgement in the first instance be fully confirmed. With an order in March 2018 the Milan Court of Appeal declared Teleunit's appeal pursuant to art. 348-bis of the Italian Code of Civil Procedure to be manifestly without foundation, and hence inadmissible. In May 2018 Teleunit appealed the judgement of the Court of Appeal to the Court of Cassation. TIM lodged a counter-appeal seeking confirmation in full of the order being appealed (and thus of the judgment at first instance).

MC-Link

With writ of summons before the Rome Court, MC-Link filed a damages claim for a total of 51 million euros in compensation for alleged anticompetitive and abusive conduct over the period 2009–2012, in the form of technical boycotting (refusals to activate wholesale services – KOs). The claim was based on the contents of the decision of AGCM (the Italian Competition Authority) that settled the A428 case. TIM filed an appearance, contesting all of the plaintiff's allegations. In August 2021, the case was settled as part of a global settlement with the opposing party.

Eutelia and Clouditalia Telecomunicazioni

With a writ of summons dated May 2020, Eutelia in Extraordinary Administration and Clouditalia Telecomunicazioni S.p.A., purchaser of Eutelia's TLC branch, brought an action against TIM before the Court of Rome, making claims for damages, of around 40 million euros, for damages allegedly suffered, in the period 2009-2012, following the technical boycott and margin squeeze conduct, subject of the AGCM A428 procedure. TIM filed an appearance, contesting the claims made by the opposing party and formulating a counterclaim, subject to quantification of the damages incurred during the proceedings.

Antitrust Case I761

With a ruling issued on July 10, 2013, AGCM (the Italian Competition Authority) extended to TIM the investigation started in March of the same year into some firms active in the fixed network maintenance sector. The investigation aims to establish if an agreement exists that is prohibited under article 101 of the Treaty on the Functioning of the European Union. The proceedings were initiated after Wind filed two complaints in which AGCM (the Italian Competition Authority) was informed that, based on an invitation to bid for the assignment of network corrective maintenance services, it had encountered substantial uniformity of prices offered by the aforementioned enterprises and a significant difference from the offers submitted subsequently by other and different companies.

AGCM (the Italian Competition Authority) alleged that TIM carried out a role of coordinating the other parts of the procedure, both during the formulation of the offers requested by Wind and in relation to the positions represented to communications regulator AGCom.

TIM challenged these proceedings before the Administrative Court (TAR), sustaining that the ICA does not have competence in this matter.

On July 7, 2014, AGCM (the Italian Competition Authority) notified the objective extension of the proceedings to check if the Company, abusing its dominant position, put in place initiatives that might influence the conditions of the offer of accessory technical services when the offers of the maintenance businesses to Wind and Fastweb were being formulated. With the extension decision, the Authority also extended the closing date of the investigation, originally set for July 31, 2014, to July 31, 2015. This extension was also challenged before the Lazio Administrative Court (TAR) sustaining that the Italian Competition Authority does not have competence in this matter.

In November 2014, for reasons of procedural economy and also convinced that it was acting legitimately, TIM presented to the Authority a proposal of undertakings in order to resolve the competition concerns subject of the investigation. On December 19, 2014, AGCM (the Italian Competition Authority) issued its decision finding that the undertakings were not clearly unfounded and subsequently ordered their publication for market testing.

On March 25, 2015, AGCM (the Italian Competition Authority) definitively rejected the aforesaid undertakings, considering them not suitable for removing the anticompetitive aspects investigated.

On July 21, 2015 the Communication of the Results of the Investigation was served on the parties to the proceedings, in which the Offices of AGCM (the Italian Competition Authority) expressed their position in the sense of (i) archiving the complaints regarding the abuse of dominant position and (ii) confirming, instead, that there exists between TIM and the maintenance firms an agreement to coordinate the economic offers drawn up for Wind and Fastweb, and to prevent the unbundled supply of the ancillary technical services.

On December 16, 2015, the final order was issued, confirming the conclusions of the Communication of the Results of the Investigation, sustaining that, between 2012 and 2013, there existed an agreement that restricted competition, and as a result imposed a fine of 21.5 million euros on the Company, paid in March 2016. The relevant market is the corrective maintenance (assurance) market and, more precisely, the market for troubleshooting the TIM LLU lines. The purpose of the conduct maintained by the Company and the network firms would have been to limit competition and prevent the evolution of forms of unbundled supply of ancillary technical services.

TIM appealed the order before the Lazio Regional Administrative Court. In judgement no. 09554/2016 issued in September 2016, the appeal was dismissed, and the Company appealed this decision to the Council of State. On the outcome of the proceedings, with the ruling of December 2019, the Council of State, deciding in favor of TIM, annulled the AGCM I761 provision and referred the task of conducting a new investigation to AGCM (the Italian Competition Authority), within the limits that decided by the Council of State itself. In 2020, TIM obtained the return of amounts paid by way of sanction.

Following analysis, in a letter dated April 2, 2021, AGCM (the Italian Competition Authority) reported that it had archived case I761.

Vodafone (I761)

With a writ of summons before the Milan Court, Vodafone has sued TIM and some network companies, bringing claims for compensation from the Company for around 193 million euros for damages arising from alleged anti-competitive conduct censured in the known AGCM case I-761 (on corrective maintenance) referring to the period from 2011 to 2017.

Vodafone contests the alleged breach of the competition rules carried out by TIM, in the wholesale markets giving access to its fixed network (LLU lines; Bitstream; WLR), through the abuse of a dominant market position and an unlawful agreement with the maintenance companies to maintain the monopoly on the offer of corrective maintenance services on its network. Specifically, the restrictive agreement allegedly concerned the coordination, by the Company, of the economic terms and conditions contained in the bids for maintenance services prepared by the aforementioned companies for OAOs, with artificially high prices with respect to the cost of the maintenance included in the regulated access fee, with a view to discouraging the disaggregation of the service itself. The Company filed an appearance, contesting all of the other party's requests. The case was settled as part of a global settlement with Vodafone.

Antitrust Case A514

In June 2017 the Italian Competition Authority (AGCM) started proceedings A514 against TIM, to ascertain a possible abuse of its dominant market position in breach of article 102 of the "Treaty on the Functioning of the European Union". The proceedings were started based on some complaints filed in May and June 2017, by Infratel, Enel, Open Fiber, Vodafone and Wind Tre, and concerns a presumed abuse of TIM's dominant position in the market for wholesale access services and for retail services using the broadband and ultra-broadband fixed network. In particular, AGCM (the Italian Competition Authority) hypothesized that TIM had adopted conduct aimed at: i) slowing and hindering the course of the Infratel tender processes so as to delay, or render less remunerative the entry of another operator in the wholesale market; ii) preemptively securing customers on the retail market for ultra-broadband services by means of commercial policies designed to restrict the space of customer contendibility remaining for the competitor operators.

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

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

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

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

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

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

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

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

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

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

On June 25, 2020 TIM sent AGCM (the Italian Competition Authority) the so-called compliance report as ordered in the final provision. The hearing before the Lazio Regional Administrative Court was held on November 3, 2021. The Company is awaiting the judgement.

In May 2021, the Company paid the fine.

Open Fiber

In March 2020, Open Fiber (OF) sued TIM before the Court of Milan, claiming damages of 1.5 billion euros for alleged abuse of an exclusive and dominant position in relation to OF. The alleged actions consist of: (i) pre-emptive investments in FTTC networks in white areas; (ii) initiating specious legal action to obstruct Infratel tenders; (iii) spurious repricing of certain wholesale services; (iv) commercial lock-in offers on the retail market; (v) false disclosure to AGCom in connection with the approval of a wholesale offer and spreading rumors about TIM being interested in acquiring OF; (vi) discriminatory access conditions to TIM passive infrastructure. TIM filed an appearance, contesting the arguments of OF. Enel S.p.A. intervened in the proceedings, asking that TIM be ordered to compensate all damages suffered and being suffered by Enel and OF. During the course of the proceedings, this amount was increased to 2.6 billion euros.

Vodafone

In January 2021, Vodafone Italia S.p.A. summonsed TIM to the Court of Milan, making a claim for damages of approximately 100 million euros for damages allegedly suffered as a consequence of the unlawful conduct of TIM, as sanctioned by the AGCM (the Italian Competition Authority), with the provision that concluded case A514.

The conduct of TIM sanctioned by the Authority allegedly resulted in a slowing of the penetration of UBB infrastructures on the market of white areas and, consequently, the delayed or failed acquisition of new customers by Vodafone, as well as a hindrance to acquiring additional customers as a result of the alleged binding practices over the whole of national territory. TIM will file an appearance with a series of solid legal arguments for its own protection. The case was settled as part of a global settlement with Vodafone.

Fastweb

In February 2021, Fastweb S.p.A. summonsed TIM to the Court of Milan, making a claim for damages of approximately 996 million euros for damages allegedly suffered as a consequence of the unlawful conduct of TIM, as sanctioned by AGCM (the Italian Competition Authority), with the provision that concluded case A514, as well as allegedly opportunistic suspensions of activation orders sent by Fastweb.

Fastweb complains that TIM allegedly delayed the wholesale offer of ultrabroadband services by Open Fiber in the white areas, consequently slowing the offer of said services by Fastweb to its end customers in these areas; binding practices were implemented in relations with the end customer, hindering access to the market by alternative operators (including Fastweb). In addition, TIM allegedly instrumentally managed the supply process of wholesale access services to its fixed broadband and ultrabroadband network, opportunistically suspending the activation orders submitted by Fastweb and thereby hindering its activation of new customers. TIM filed an appearance laying out solid arguments refuting Fastweb's claims. In August 2021, the case was settled as part of a settlement with Fastweb.

Antitrust Case I799

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

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

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

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

Open Fiber S.p.A. also asked for the precautionary suspension of the order.

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

Vodafone

In June 2015 Vodafone issued proceedings for damages in the Milan Court for alleged abuse of a dominant position by TIM in the bitstream "NGA" and "VULA" fiber access services market, initially claiming around 4.4 million euros, increased to a figure ranging from 30 to 48.9 million euros.

The plaintiff complained that TIM allegedly had engaged in abusive conduct by way of aggressive price offers to win customers and by hindering Vodafone's access to the fiber network to make it more difficult for the party to provide ultra-broadband services to its customers.

TIM has filed an appearance, challenging the claims of the plaintiff in full and, subsequently, the revised estimate of damages made in 2016 during the case. The case was settled as part of a global settlement with Vodafone.

Eutelia and Voiceplus

In June 2009, Eutelia and Voiceplus asked that alleged acts of abuse by TIM of its dominant position in the premium services market (based on the public offer of services provided through so-called Non Geographic Numbers) be investigated. The complainants quantified their damages at a total of approximately 730 million euros.

The case follows a precautionary procedure in which the Milan Appeal Court prohibited certain behaviors of the Company relating to the management of some financial relations with Eutelia and Voiceplus concerning the Non Geographic Numbers, for which TIM managed the payments from the end customers, on behalf of such OLOs and in the light of regulatory requirements. After the ruling with which the Milan Court of Appeal accepted TIM's objections, declaring that it was not competent in this matter and referring the case to the Civil Court, Eutelia in extraordinary administration and Voiceplus in liquidation resubmitted the matter to the Milan Court. The first hearing took place in the month of March 2014. TIM filed an appearance challenging the claims of the other parties. After the collapse of Voiceplus, the Milan Court declared the case suspended, in an order in September 2015. The case was later resumed by Voiceplus.

With a judgment issued in February 2018, the Milan Court accepted TIM's defense and rejected the plaintiffs' claim for compensation, ordering them, jointly and severally, to pay the legal costs. In March 2018 Eutalia and Voiceplus proposed an appeal against the judgement in the first instance.

TIM appealed against the claim, requesting confirmation in full of the judgment in the first instance. The appeal of Eutelia and Voiceplus was fully rejected with the judgment of August 5, 2019. In December 2019 Eutelia and Voiceplus appealed to the Court of Cassation over the judgment of the Court of Appeal. TIM notified a counterclaim asking confirmation of the ruling appealed against.

28-day billing

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

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

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

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

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

With the judgment published in November 2018, the TAR canceled the pecuniary administrative sanction of 1.16 million euros imposed with Resolution 499/17/CONS, and confirmed the obligation of restitutio in integrum to the fixed-line customers by December 31, 2018. TIM filed its preventive appeal before the Council of State to suspend the execution of said decision and, with its ruling of December 20, 2018, the Council of State, in

upholding TIM's appeal, suspended the effectiveness of the aforesaid decision for the reversal order only, until May 21, 2019 while awaiting publication of the grounds for the judgment.

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

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

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

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

In the civil proceedings, by judgment published on October 14, 2021 the Court of Milan, under the scope of the case on the merits brought by Associazione Movimento dei Consumatori in 2018 regarding the pricing and 28-day renewal for fixed line and converging offers, confirmed the order given on 6/4/2018 by the same Court upon closure of the complaint brought by TIM pursuant to Art. 669 terdecies of the Italian Code of Civil Procedure and the measures set out therein, ordering TIM to fulfill the requests for repayment of amounts paid as a result of customer maneuvers - including discontinued, as indeed TIM had already been doing since 2018, at the same time also extending the period relevant to the recognition of the reimbursement through to April 1, 2017 and therefore earlier than June 23, 2017, the date on which the operators had to comply with Resolution no. 121/17/CONS. TIM has appealed the sentence of the Court of Milan, at the same time filing an request for suspension of its enforcement. With order of January 11, 2022, the Court of Appeal of Milan partially accepted TIM's request, suspending the charge in the judgment relating to the order to send a registered letter to all discontinued consumer customers that were subject to billing every 28 days to inform them of the possibility to obtain a refund of the additional amounts paid as a result of the maneuver.

Antitrust Case I820

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

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

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

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

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

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

On September 11, 2021, AGCM (the Italian Competition Authority) presented a petition to the Council of State, requesting the cancellation of the judgment given by the regional administrative court.

Antitrust Case I850

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

More specifically, the investigation regards the contracts governing the establishment and operation of FiberCop and the supply agreements with Fastweb and Tiscali. AGCM (the Italian Competition Authority)

intends to verify that such agreements do not hinder competition between operators in the medium and long-term and assure the rapid modernization of the country's fixed telecommunications infrastructures.

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

On September 7, 2021, AGCM (the Italian Competition Authority) judged these undertakings to not be clearly unfounded and ruled publication on the Authority's website from September 13, 2021; thus market testing began and was completed by October 13, 2021, the date by which all subjects so wishing submitted their observations to AGCM in respect of the relevant undertakings.

On December 14, 2021 AGCM (the Italian Competition Authority) extended the deadline for the conclusion of the proceedings, initially set for December 31, 2021, to February 15, 2022.

Precisely during the meeting held on February 15, 2022, AGCM finally resolved to approve the undertakings insofar as they were considered suitable to eliminate the alleged anti-competition aspects investigated and made them mandatory for the parties without assessing the alleged charges and without sanctions.

Antitrust Case I857

On July 6, 2021, AGCM (the Italian Competition Authority) started an investigation in regard to TIM and DAZN for a possible understanding reached with a view to restricting competition in connection with the agreement for the distribution and technological support for TV rights for Serie A football in the 2021-2024 period.

The investigation also aims to verify the restrictive nature of the understanding with reference to additional elements regarding the possible adoption by TIM of technical solutions not available for competitor telecommunications operators and which may effectively hinder the adoption of their own technological solutions.

The proceedings are expected to end by June 30, 2022.

At the same time, the Authority has also initiated proceedings for the potential adoption of protective measures.

By resolution passed on July 27, 2021, AGCM (the Italian Competition Authority) closed the interim proceedings, considering that the initiatives and amendments to the agreement proposed by TIM and DAZN in the meantime are presently able to prevent any serious and irreparable damage to competitors while investigations are completed.

Indeed, said measures aim, as a whole, to avoid possible discrimination in the use of the DAZN service, due to its activation by users using Internet connection services other than those offered by TIM. In addition, the agreement between TIM and DAZN has been amended to guarantee DAZN complete freedom in applying discounts and promotions. TIM has also undertaken to provide DAZN with a sufficient number of white label set-top-boxes to also guarantee DAZN customers the viewing of matches over digital terrestrial TV, in the event of connection problems.

Finally, TIM has undertaken to supply wholesale services to OAOs interested therein to manage traffic peaks deriving from live data transmissions, regardless of the type of contents transmitted.

On October 29, 2021 TIM submitted a proposal for undertakings to AGCM (the Italian Competition Authority) with a view to resolving the competitive concerns that were the subject of the investigation and closing the proceedings without the finding of any infringement and therefore without any sanction being applied.

On December 14, 2021, AGCM (the Italian Competition Authority) approved the publication of the aforementioned proposal for undertakings on the Authority's website, as these undertakings, taken as a whole, do not appear to be manifestly unfounded and are capable of removing the restrictions to competition hypothesized in the measure initiating the investigation in question.

On January 5, 2022, with the aforementioned publication on the AGCM website, the so-called market test began, which will end on February 4 next, the date by which all interested parties will be able to send the Authority their comments on the undertakings in question.

Antitrust Case PS10888 "TIM Passepartout"

On June 15, 2021, AGCM (the Italian Competition Authority) initiated proceedings for unfair commercial practice concerning the lack of transparency of the information provided by the TIM Passepartout payment management platform and alleged activations of services not requested. The proceedings have been initiated on the basis of reports made by individual consumers and should draw to a close in March 2022. On July 29, 2021, undertakings were submitted, thereafter supplemented on February 08, 2022, that, if accepted, will allow the proceedings to close without any findings of infringement and, therefore, without any application of sanctions. The undertakings consist of improving information aspects of the TIM Passepartout platform (active only for Customer Base offers) and implementing a communication campaign aimed at soliciting contact from those who do not recognize the TIM Passepartout charges in order to assess whether there are grounds for a refund. The procedure will be completed by the end of May 2022.

Vodafone Dispute – Universal Service

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

mobile telephony for mobile operators to be included among the subjects required to repay the cost of the universal service, which means that AGCom needs to issue a new ruling.

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

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

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

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

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009. Vodafone has challenged this resolution before the Regional Administrative Court. The renewal proceedings concluded with resolution 18/21/CIR, which substantively confirmed the draft order. This resolution has only been challenged by TIM for the years 1999 and 2000, while Vodafone, Wind and Fastweb have challenged the resolution for all years concerned. By judgments published in February 2022, resolution 18/21/CIR was partially canceled. Assessments are currently in progress regarding whether it is appropriate or not to submit an appeal.

Dispute relative to "Adjustments on license fees" for the years 1994-1998

With regard to the judgements sought in previous years concerning the Ministry of Communications' request for payment of the balance of the amounts paid in concession charges for the years 1994-1998 (for a total of 113 million euros), the Administrative Court (TAR) for Lazio rejected the Company's appeal against the request for adjustment of the license fee for 1994 in the amount of approximately 11 million euros, 9 million euros of which against turnover not received due to bad debts. TIM lodged an appeal. On the outcome of proceedings, with the ruling of December 2019, the Council of State partially accepted TIM's position, establishing the principle, according to which, the receivables referring to 1994 not collected for reasons not attributable to the operator, could have been deducted from the tax base for calculating the concession fee.

With two further judgements the Administrative Court (TAR) for Lazio, reiterating the reasons expressed previously, also rejected the appeals in which the Company challenged the requests for payment of outstanding balances of license fees for the years 1995 and 1996-1997-1998, in the amount of approximately 46 million euros. TIM has appealed before the Council of State also against these judgements.

With reference to the 1998 fee adjustment (equal to about 41 million), the Lazio TAR, by TAR order of December 2018, suspended the judgment, raising preliminary questions with the EU Court of Justice on the correct scope of EC Directive no. 97/13 (in the matter of general authorizations and individual licenses in the field of telecommunications services on the basis of the currently pending litigation on the 1998 license fee, currently pending before the Rome Court of Appeal and illustrated in a subsequent paragraph).

The referred questions were based, inter alia, on the question posed to the Court of Justice on the possible conflict between the aforementioned EC Directive 97/13 and national law, which extended the obligation for telecommunications license-holders to pay the license fee for 1998 (commensurate with a portion of turnover), despite the liberalization process underway. In its judgment of March 2020, the EU Court of Justice held that the EU regulatory system must be interpreted as not allowing national legislation to extend to 1998 the obligation imposed on a telecommunications undertaking that was previously the concession holder (such as TIM) to pay a fee calculated on the basis of turnover and not only the administrative costs connected with the granting, management, control and implementation of the general authorizations and individual licenses scheme. The Court held, inter alia, that the Council of State – having held in its judgment 7506/2009 that the fee imposed for 1998 on TIM, the holder of an authorization existing on the date of entry into force of Directive 97/13, was due – interpreted national law in a way that was incompatible with EU law, as interpreted by the Court in its judgment of February 21, 2008. Following the judgment of the EU Court of Justice, the opinion on the final calculation of the 1998 charges was summarized before the Lazio Regional Administrative Court, which, in a judgment given last February, declared TIM's appeal as unacceptable for procedural reasons, namely due to the prevalence of the formal ruling consisting of judgment no. 7506/09; in substantive terms, on the other hand, the judgment of the EU Court of Justice once again ascertained the European Community unlawful nature of the credit claim by the PA to obtain payment of the 1998 charges and, consequently, the final balance. The company has challenged the judgment of the Lazio Regional Administrative Court.

Poste

There are some pending actions brought, at the end of the '90s, by Ing. C. Olivetti & C. S.p.A. (now TIM) against Poste, the Italian postal service, concerning non-payment of services delivered under a series of contracts to supply IT goods and services. The judgements issued in the lower courts established an outcome that was partially favorable to the ex-Olivetti, and have been appealed against by Poste in individual rehearings.
In this respect, while a 2009 judgement of the Rome Appeal Court confirmed one of the outstanding payables to TIM, another judgement by the same Court declared void one of the disputed contracts. After this judgement, Poste had issued a writ for the return of approximately 58 million euros, opposed by TIM given that the judgement of the Supreme Court for amendment of the above judgement is still pending.

After the 2012 judgement of the Supreme Court that quashed and remanded the decision of the Appeal Court on which the order was based, the Rome Court declared that the matter of issue in the enforcement proceedings was discontinued, since the claim made by Poste had been rejected. The judgement was resubmitted to another section of the Rome Appeal Court. In ruling no. 563 of January 25, 2019, the Rome Court of Appeal at the time of proceedings, reversing the Company's previous unfavorable appeal, confirmed the contract's validity and, with it, the legitimacy of TIM's view of the amount already collected, of which Poste had requested reimbursement. This ruling was challenged by Poste with appeal filed with the Court of Cassation, notified on July 31, 2019, which TIM challenged with relevant counter appeal.

Elinet S.p.A. Bankruptcy

In 2014, the trustees in the bankruptcy of Elinet S.p.A., and subsequently the trustees of Elitel S.r.l. and Elitel Telecom S.p.A. (the parent, at the time, of the Elitel group) appealed the judgment by which the Court of Rome dismissed the damages claim brought by the trustees of the Elinet-Elitel group, filing a new damages claim for a total of 282 million euros. The Company is alleged to have exercised management and control powers over the plaintiff, and, with it, over the Elitel group (an OLO in which TIM has never held any equity interest) through the management of trade receivables. TIM filed an appearance, challenging the claims made by the other party. The judgment on the appeal was handed down with ruling in July 2019, which with reference to TIM confirmed full legality of its conduct and total non-existence of any element of management and coordination. The receivers of Elinet S.p.A. and Elitel Telecom S.p.A. appealed to the Court of Cassation in January 2020 to obtain the annulment of the judgment in the second instance. The receiver of Elitel S.r.l. has not filed an appeal with the Court of Cassation and, consequently, the total claim for damages has been reduced to 244 million euros. TIM notified a counterclaim asking confirmation of the ruling appealed against.

Brazil - Opportunity Arbitration

In May 2012, TIM and Telecom Italia International N.V. (now merged in Telecom Italia Finance) were served with a notice of arbitration proceedings brought by the Opportunity group, claiming compensation for damages allegedly suffered for presumed breach of a settlement agreement signed in 2005. Based on the claimant's allegations, the damages relate to circumstances that emerged in the criminal proceedings pending before the Milan Court regarding, *inter alia*, unlawful activities engaged in by former employees of TIM.

The investigatory phase having been completed, the hearing for oral discussion took place in November 2014, after which the parties filed their concluding arguments in preparation for the decision on the case.

In September 2015, the Board of Arbitration declared the proceedings closed, as the award was going to be filed.

In September 2016 the ICC Court notified the parties of its judgment, based on which the Court of Arbitration rejected all the claims made by the Opportunity group and decided that the legal costs, administrative costs and costs for expert witnesses should be split between the parties (the "2016 Arbitration Award").

In April 2017 the Opportunity group filed an appeal against the 2016 Arbitration Award before the Paris Court of Appeal.

In November 2017, TIM and Telecom Italia Finance received from the Secretariat of the ICC's International Court of Arbitration notice of a Request for Revision of the 2016 Arbitration Award, filed by the Opportunity group, asking for a new award. A Board of Arbitration was subsequently established.

In October 2018, TIM and Telecom Italia Finance requested proceedings with the Paris Court of Appeal to be suspended, in the light of proceedings pending with the Court of Arbitration of the International Chamber of Commerce to review the same 2016 Arbitration Award. In November 2018, the Paris Court of Appeal suspended the proceedings until the decision is taken by the Court of Arbitration in the review proceedings.

As regards the proceedings to review the 2016 Arbitration Award, in October 2019 the ICC held the discussion hearing in Paris. In August 2020, the Arbitration Court issued the award rejecting the Request for Revision presented by the Opportunity Group (the "2020 Arbitration Award"). In December 2020, the Opportunity group filed an appeal against the 2020 Arbitration Award before the Paris Court of Appeal. In May 2021 the Opportunity group asked the Paris Court of Appeal to summarize the proceedings brought against the 2016 Arbitration Award.

Iliad

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

TIM filed an appearance, fully disputing the requests of Iliad Italia S.p.A.; and, in turn, submitting a counterclaim in accordance with Art. 2598 of the Italian Civil Code, with reference to the denigration implemented by Iliad Italia S.p.A. in regard to TIM and formulating a symmetrical claim for compensation for damages. In the first preliminary brief, Iliad updated its claim for damages, taking it to 242.8 million euros. Upon lifting the reservation on the preliminary motions, the Court adjourned the hearing to May 4, 2022 for the closing arguments.

Iliad

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

T-Power

By writ of summons notified in December 2021, T-Power s.r.l., former Agent for the consumer sector, summonsed TIM before the Court of Rome to have the right acknowledged to receive payment of a total maximum amount of approximately 85 million euros by way of commission, compensation in lieu of notice and termination of employment, as well as compensation for damages. The first hearing is scheduled for April 27, 2022.

b) Other information

Mobile telephony - criminal proceedings

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

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

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

At the end of the preliminary hearing, which took place in March 2014, the Judge for the Preliminary Hearing committed for trial all the defendants (including TIM) who had not asked for their situation to be settled with alternative procedures, on the grounds that “examination in a trial” was needed. In April 2016, at the end of the first part of the trial, the Public Prosecutor asked for TIM to be sentenced to pay an administrative fine of 900 thousand euros, but decided not to ask for confiscation of any of the presumed profits of the offenses (quantified in the committal proceedings as totaling several million euros), based on the assumption that TIM had in any event remedied the presumed organizational inadequacies. While acknowledging the considerable redimensioning of the accusations, the Company has reiterated its total non-involvement in the facts at issue. In November 2016 the Court gave a verdict acquitting the Company on the grounds that there was no case to answer. All the individuals charged were also acquitted on various grounds.

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

The proceedings were assigned to Chambers IV of the Milan Court of Appeal and are awaiting scheduling of the hearing.

Dispute concerning the license fees for 1998

TIM has issued civil proceedings against the office of the Prime Minister for compensation of the damage caused by the Italian State through appeal judgement no.7506/09 by the Council of State that, in the view of the Company, violates the principles of current European community law.

The main claim which the proceedings are founded on is based on community jurisprudence that recognizes the right to assert the responsibility of the State in relation to violation of rights recognized in community law and injured by a judgement that has become definitive, in respect of which no other remedy may be applied. The judgement of the Council of State definitively denied TIM the right to obtain restitution of the concession charge for 1998 (totaling 386 million euros for Telecom Italia and 143 million euros for the former TIM Company, plus interest), already denied by the Lazio regional administrative court despite the favorable and binding opinion of the European Court of Justice in February 2008. This judgement concerned the conflict between EC Directive 97/13 on general authorizations and individual licenses in the telecommunications services industry, and the national regulations that had deferred, for 1998, the obligation to pay the fee payable by telecommunications concession holders, despite the intervening deregulation process. The Company then proposed an alternative compensation claim, within the sphere of the same proceedings, for tort pursuant to art. 2043 of the Italian Civil Code. The compensation claimed has been quantified as approximately 529 million euros, plus legal interest and revaluation. The Avvocatura di Stato filed an appearance and submitted a counterclaim for the same sum. The case is subject to eligibility analysis by the Court, which declared the inadmissibility of TIM's main claim (case for damages for manifest breach of community law pursuant to law 117/88). However, this decision was amended in favor of the Company on appeal. In March 2015 the Rome Court issued its judgement in the first instance, declaring the Company's application inadmissible.

In 2015, TIM has appealed the decision, and the case is now pending the hearing specifying the nature of the forms of order sought. The Court of Appeal has scheduled the hearing for closing arguments for April 2, 2019. Thereafter, without any new procedural activities having taken place, the Court of Appeal incontrovertibly deferred the hearing for closing arguments first to 2020 and then to 2021 (from when the terms for conclusion and replies shall run, which will be followed shortly thereafter by the issue of the judgment). These deferrals were followed by the latest, of January 15, 2021, scheduling the new hearing for January 25, 2022.

On the matters underlying the case, the following must be noted:

- on the considered lack of jurisdiction of the Court of Rome (concerned by the judgment of the Court of Rome appealed by TIM) to judge the liability of the Italian government for the work of senior magistrates (in the case in point, the Council of State), which would have led to the declared inadmissibility of the claim in accordance with Art. 5, law no. 117/1978 (old text) - the United Chambers of the Court of Cassation ruled with judgment no. 14842 on June 7, 2018, confirming the jurisdiction of the Court of Rome and, therefore, the correctness of TIM's choice to base its lawsuit in the Court of Rome;
- on the unlawful nature of the conduct of the Italian government - and, therefore, on the liability of the State-Court in accordance with Law no. 117/1998 - once again, the EU Court of Justice has ruled, deciding on the prejudicial matter raised by the Lazio TAR in other, connected proceedings, in its judgment given on March 4, 2020 in C-34/19, stressing that TIM was not required to pay the charges demanded by the State for 1998 and, therefore, confirming the clear violation by the Council of State of European Community law (also because in clear conflict with the decision already given by the EU Court of Justice on February 21, 2008 in C-296/06, as, moreover, already ruled by the Court of Appeal of Rome, Chambers I, in Decree of January 31, 2012, which sanctioned the procedural admissibility of TIM's lawsuit);
- on the matter of the right to repeat the charges paid for 1998 - the Court of Cassation ruled in its judgment no. 18603 given on September 7, 2020, rejecting the appeal brought by the Presidency of the Council against the judgment whereby the Court of Appeal of Rome had upheld the claim for compensation made by Vodafone (payment of charges for 1998) for the same title in separate proceedings.

In short, the company paid the charges disputed in 1998; it promptly challenged the administrative provision that had unfairly required said payment, before the administrative court; the administrative proceedings before the Council of State concluded negatively in 2009 (despite the recalled opposite judgment of the European Court of Justice); the civil proceedings of first instance concluded in March 2015 with a judgment of rejection for grounds of admissibility (then solved in the sense indicated by the company with the referenced judgment of Cassation in United Chambers no. 14842/18) and more than 6 years after the first instance judgment - going from deferral to deferral - the appeal judgment (that could only uphold the mentioned judgments of the Court of Justice and the Court of Cassation) has not yet been issued (nor, on the basis of these repeated deferrals, can the company forecast when it will be given).

The company is examining the various scenarios and legal claims (national, European Community, etc.) that may contribute towards defining the appeal dispute. It is considered, in fact, that the principles of the reasonable duration of the trial, in accordance with subsection 2 of article 111 of the Constitution and in accordance with article 6 of the European Convention on Human Rights, are violated by these events, considering: (i) the year in which payment was made of the undue charges is 1998; (ii) the value of these charges is approximately 529 million euros plus interest from that date; (iii) the extremely long procedural process has not even led to an appeal judgment (started in 2015 and with an unpredictable conclusion, given the continuous deferrals); (iv) the circumstance that the legal matter appears to be readily able to be settled, as not one but two judgments have already been given by the EU Court of Justice declaring payment of the charges to be incompatible with European Community legislation (judgments that have currently been ignored by the national court).

As part of the aforementioned analyzes aimed at reaching a definition of the appeal sentence, it should be pointed out that on January 25, 2021 the company filed a request with the Rome Court of Appeal to bring forward the hearing (postponed, as mentioned, to January 25, 2022) in order to avoid yet another postponement of the case, which, as we know, concerns the non-compliance with two inter partes decisions, on the same matter, by the Court of Justice of the European Union for a clear violation of European law by the State-Judge. With a ruling on February 8, 2021, the Rome Court of Appeal (second section specializing in corporate matters) deemed it could grant the request for an advance ruling, setting the hearing for November 30, 2021. On that date the case was taken to decision with the assignment of the legal terms for closing statements and replies.

Vodafone (previously TELETU)

By writ of summons of February 2012, TIM summonsed the operator TeleTu (today incorporated into Vodafone) to the Court of Rome for having unduly impeded customers intending to return to TIM. The damages claim has been quantified for approximately 93 million euros. By judgment of December 2020, the Court ascertained that from July 2008 to October 2011, TELETU pursued illegal competition pursuant to art. 2598 of the Italian Civil Code in connection with requests for migration to TIM, ordering it to compensate TIM for the amount of 1,378,000 euros plus interest and revaluation, which was paid by Vodafone. As part of a global settlement with Vodafone, the parties have agreed to abstain from challenging this judgment.

Other liabilities related to the sale of assets and shareholdings

As part of agreements for the sale of assets and companies, the TIM Group has undertaken guarantees to indemnify the buyers for liabilities mainly connected with legal, tax, social security, and labor law issues, for an amount normally set as a percentage of the purchase price.

To cover such contingent liabilities, amounting to a total of around 250 million euros, provisions totaling approximately 10 million euros have been allocated solely for those cases for which payment is considered likely.
Furthermore, we report that in relation to the disposal of assets and investments, the TIM Group has undertakings to pay additional indemnities under specific contractual provisions, the contingent liability of which cannot be measured at present.

C) Commitments and guarantees

Guarantees, net of back-to-back guarantees received, amounted to 54 million euros.

The guarantees provided by third parties to Group companies, amounting to 6,894 million euros, related to guarantees provided by banks and other financial institutions as a guarantee of the proper performance of contractual obligations.

In particular, we report:

- the TIM Group had six bank guarantees issued in favor of the Ministry of Economic Development for a total of 1,922 million euros for the deferment of the payment of the amount due for the acquisition of user rights to frequencies in the 694-790 MHz, 3600-3800 MHz and 26.5-27.5 GHz bands, which will be reserved for 5G mobile telecommunications services in Italy. At December 31, 2021, the remaining guarantee was 1,738 million euros;
- the insurance guarantees, which totaled 930 million euros, mainly refer to guarantee financing by the TIM Group in applying legal provisions for contracts of Public Administrations and similar bodies;
- the TIM Group had bank guarantees issued in favor of INPS in support of the application - by TIM and some Group companies - of Article 4 of Italian Law 92 of June 28, 2012, for the voluntary redundancy of employees meeting the requirements; the total amount of the guarantees issued is 1,422 million euros, of which 1,360 million euros for TIM S.p.A. and 62 million euros for Group companies.

Lastly, in May 2018, TIM issued a surety to the Prime Minister's Office for 74.3 million euros to secure an appeal to the Lazio Administration Court for a provisional stay of the administrative fine levied on TIM following the preliminary investigation connected with the penalty proceeding initiated under Article 2 of Decree Law 21 of 3/15/2012 (the "Golden Power" law).

There are also surety bonds on the telecommunication services in Brazil for 653 million euros.

d) Assets guaranteeing financial liabilities

The special rate loan contracts granted by the Brazilian Development Bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social) to TIM S.A. to a total value of 63 million euros are covered by specific covenants. In the event of non-compliance with the covenant obligations, BNDES will have a right to the receipts which transit on the bank accounts of the company.

NOTE 25
REVENUES

These decreased by 489 million euros compared to 2020. The breakdown is as follows:

(million euros)	2021	2020
Equipment sales	1,411	1,402
Services	13,905	14,403
Total	**15,316**	**15,805**

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 1,264 million euros (1,198 million euros in 2020), included in Costs of services.

Revenues from services in 2021 include revenues for voice and data services on fixed and mobile networks for Retail customers for 8,203 million euros and for other Wholesale operators for 2,805 million euros.

For a breakdown of revenues by operating segment/geographical area, reference should be made to the Note "Segment Reporting".

NOTE 26
OTHER INCOME

This item rose by 61 million euros compared to 2020. The figure breaks down as follows:

(million euros)	2021	2020
Late payment fees charged for telephone services	39	46
Recovery of employee benefit expenses, purchases and services rendered	12	14
Capital and operating grants	28	34
Damages, penalties and recoveries connected with litigation	27	24
Estimate revisions and other adjustments	71	59
Special training income	67	13
Other	28	21
Total	**272**	**211**

NOTE 27
ACQUISITION OF GOODS AND SERVICES

This item rose by 377 million euros compared to 2020. The figure breaks down as follows:

(million euros)		2021	2020
Acquisition of raw materials and goods	**(a)**	**1,266**	**1,203**
Costs of services:			
Revenues due to other TLC operators		1,264	1,198
Costs for telecommunications network access services		119	116
Commissions, sales commissions and other selling expenses		974	996
Advertising and promotion expenses		212	196
Professional and consulting services		253	216
Utilities		434	435
Maintenance costs		291	277
Outsourcing costs for other services		378	348
Mailing and delivery expenses for telephone bills, directories and other materials to customers		38	46
Other service expenses		718	706
	(b)	**4,681**	**4,534**
Lease and rental costs:			
Rent and leases		51	51
TLC circuit subscription charges		96	87
Other lease and rental cost		456	298
	(c)	**603**	**436**
Total	**(a+b+c)**	**6,550**	**6,173**

In 2021, non-recurring operating costs related to procurement and miscellaneous costs of approximately 4 million euros were incurred, which were necessary to manage the health emergency related to COVID-19. For more details, see the Note “Significant non-recurring Events and Transactions”.

In 2021, lease and rental costs included around 11 million euros in short-term lease payments of modest value (approximately 11 million euros in 2020).

NOTE 28
EMPLOYEE BENEFITS EXPENSES

This item rose by 302 million euros compared to 2020. The figure breaks down as follows:

(million euros)		2021	2020
Ordinary employee expenses			
Wages and salaries		1,794	1,804
Social security costs		651	647
Other employee benefits		148	146
	(a)	**2,593**	**2,597**
Costs and provisions for temp work	**(b)**	—	—
Miscellaneous expenses for personnel and other labor-related services rendered			
Charges for termination benefit incentives		8	1
Corporate restructuring expenses		336	38
Other		4	3
	(c)	**348**	**42**
Total	**(a+b+c)**	**2,941**	**2,639**

Employee benefits expenses mainly related to the Domestic Business Unit for 2,703 million euros (2,401 million euros in 2020) and to the Brazil Business Unit for 237 million euros (236 million euros in 2020).

"Company restructuring expenses" came to 336 million euros (38 million euros in 2020) and are mainly related to the 2021 recording of the expenses connected with the application of the trade union agreements signed by the Parent company with the trade unions on March 8, 2021 and on April 23, 2021 and the agreements signed respectively on March 15, 2021 by the company Olivetti, on April 27, 2021 by the company Noovle S.p.A. and on May 6, 2021 by the company Telecom Italia Sparkle.

In 2021, non-recurring costs were incurred for approximately 1 million euros, made necessary to address the COVID-19 health emergency. For more details, see the Note "Significant non-recurring Events and Transactions".

The average salaried workforce, including personnel with temp work contracts, stood at 47,942 employees in 2021 (49,099 in 2020). A breakdown by category is as follows:

(number of units)	2021	2020
Executives	612	587
Middle managers	4,154	4,083
Workers	43,110	44,420
Blue collars	54	—
Employees on payroll	**47,930**	**49,090**
Employees with temp work contracts	12	9
Total average salaried workforce	**47,942**	**49,099**

Headcount in service at December 31, 2021, including personnel with temp work contracts, stood at 51,929 employees (52,347 at December 31, 2020), showing a decrease of 418 employees.

NOTE 29
OTHER OPERATING EXPENSES

This item rose by 541 million euros compared to 2020. The figure breaks down as follows:

(million euros)	2021	2020
Write-downs and expenses in connection with credit management	305	423
Provision charges	704	43
TLC operating fees and charges	189	199
Indirect duties and taxes	99	96
Penalties, settlement compensation and administrative fines	127	120
Association dues and fees, donations, scholarships and traineeships	12	12
Other	66	68
Total	**1,502**	**961**
of which, included in the supplementary disclosure on financial instruments	*305*	*423*

"Provision charges" for 2021 include a non-recurring 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 2021, non-recurring operating costs were also incurred as a consequence of the COVID-19 emergency for a total of 20 million euros, mainly referring to provisions and expenses connected with credit management following the worsening of the expected credit loss of corporate customers of the Parent Company TIM S.p.A., connected with the expected evolution of the pandemic.

For more details, see the Note "Significant non-recurring Events and Transactions".

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

NOTE 30
INTERNALLY GENERATED ASSETS

These decreased by 27 million euros compared to 2020. The breakdown is as follows:

(million euros)	2021	2020
Intangible assets with a finite useful life	216	231
Tangible assets	259	271
Total	**475**	**502**

They mainly refer to the capitalization of labor costs relating to design, construction and testing of network infrastructure and systems, as well as software development and development of network solutions, applications and innovative services.

NOTE 31
DEPRECIATION AND AMORTIZATION

These decreased by 126 million euros compared to 2020. The breakdown is as follows:

(million euros)		2021	2020
Amortization of intangible assets with a finite useful life			
Industrial patents and intellectual property rights		1,043	1,152
Concessions, licenses, trademarks and similar rights		466	473
Other intangible assets		2	2
	(a)	**1,511**	**1,627**
Depreciation of tangible assets owned			
Buildings (civil and industrial)		35	35
Plant and equipment		2,095	2,115
Manufacturing and distribution equipment		9	11
Other		145	140
	(b)	**2,284**	**2,301**
Amortization of rights of use assets			
Property		343	397
Plant and equipment		314	252
Other tangible assets		37	39
Intangible assets		1	—
	(c)	**695**	**688**
Total	**(a+b+c)**	**4,490**	**4,616**

For further details refer to the Notes "Intangible assets with a finite useful life", "Tangible assets" and "Rights of use assets".

For a breakdown of depreciation and amortization by operating segment/geographical area, reference should be made to the Note "Segment Reporting".

NOTE 32
GAINS/(LOSSES) ON DISPOSALS OF NON-CURRENT ASSETS

This item was broken down as follows:

(million euros)		2021	2020
Gains on disposals of non-current assets:			
Gains on the retirement/disposal of intangible, tangible and user rights on rental		15	29
	(a)	**15**	**29**
Losses on disposals of non-current assets:			
Losses on the retirement/disposal of intangible, tangible and user rights on rental		14	40
	(b)	**14**	**40**
Total	**(a-b)**	**1**	**(11)**

NOTE 33

IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS

This item was broken down as follows:

(million euros)		2021	2020
Reversals of impairment losses on non-current assets:			
on intangible assets		—	—
on tangible assets		—	—
	(a)	**—**	**—**
Impairment losses on non-current assets:			
on intangible assets		4,120	—
on tangible assets		—	8
	(b)	**4,120**	**8**
Total	**(a-b)**	**(4,120)**	**(8)**

The impairment losses for the year 2021 amounted to 4,120 million euros and related to the goodwill impairment loss attributed to the Domestic Cash Generating Unit.

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 new 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 December 31, 2021 and using a discount rate updated to the financial market conditions as at December 31, 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 December 31, 2021 and highlighted a positive difference between the book value of the CGU and Fair Value.

Further details are provided in the Note "Goodwill".

NOTE 34

OTHER INCOME (EXPENSES) FROM INVESTMENTS

Details are as follows:

(million euros)	2021	2020
Dividends from Other investments	1	—
Net gains on the sale of investments in associates and joint ventures accounted for using the equity method	119	452
Other income	6	2
Total	**126**	**454**
of which, included in the supplementary disclosure on financial instruments	*3*	*2*

In 2021, the item 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.

In 2020 the item mainly included the net capital gain recognized following the dilution from 60% to 37.5% of the TIM Group's stake in the capital of INWIT S.p.A. as a result of the merger of INWIT with Vodafone Towers (441 million euros) and the capital gains deriving from the sale of additional share packages equal, in total, to 7.3% of INWIT's share capital (11 million euros).

NOTE 35
FINANCE INCOME AND EXPENSES

Finance income (expenses) showed a net expense of 1,150 million euros (expense of 1,179 million euros in 2020) and comprises:

(million euros)	2021	2020
Finance income	1,124	1,143
Finance expenses	(2,274)	(2,322)
Net finance income/(expenses)	**(1,150)**	**(1,179)**

The items break down as follows:

(million euros)		2021	2020
Interest expenses and miscellaneous finance expenses:			
Interest expenses and other costs relating to bonds		(839)	(872)
Interest expenses to banks		(51)	(65)
Interest expenses to others		(24)	(20)
Interest expenses on financial lease liabilities		(271)	(283)
		(1,185)	**(1,240)**
Commissions		(61)	(74)
Miscellaneous finance expenses (*)		(126)	(124)
		(187)	**(198)**
Interest income and other finance income:			
Interest income		75	55
Income from financial receivables, recorded in Non-current assets		8	2
Income from securities other than investments, recorded in Non-current assets		—	—
Income from securities other than investments, recorded in Current assets		20	11
Miscellaneous finance income (*)		39	27
		142	**95**
Total net finance interest/(expenses)	**(a)**	**(1,230)**	**(1,343)**
Other components of financial income and expense:			
Net exchange gains and losses		39	(51)
Net result from derivatives		117	109
Net fair value adjustments to fair value hedge derivatives and underlyings		(4)	3
Net fair value adjustments to non-hedging derivatives		(72)	103
Total other components of financial income and expense	**(b)**	**80**	**164**
Total net financial income (expenses)	**(a+b)**	**(1,150)**	**(1,179)**
of which, included in the supplementary disclosure on net financial instruments		*(936)*	*(876)*

(*) of which IFRS 9 impact:

(million euros)	2021	2020
Income from negative adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI	*4*	*1*
Expenses from positive adjustment of IFRS 9 impairment reserve on financial assets measured at FVTOCI	*(1)*	*(2)*
Income/Expenses from IFRS 9 reserve impairment on financial assets measured at FVTOCI	*3*	*(1)*
Reversal of IFRS 9 impairment reserve on financial assets measured through FVTOCI	*5*	*1*
Impairment losses on financial assets other than investments	*—*	*—*

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

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

(million euros)		2021	2020
Foreign currency conversion gains		411	393
Exchange losses		(372)	(444)
Net exchange gains and losses		**39**	**(51)**
Income from fair value hedge derivatives		33	47
Charges from fair value hedge derivatives		—	—
Net result from fair value hedge derivatives	**(a)**	**33**	**47**
Positive effect of the reversal of the Reserve for fair value adjustment of cash flow hedge derivatives to the income statement (interest rate component)		366	376
Negative effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)		(295)	(309)
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	**(b)**	**71**	**67**
Income from non-hedging derivatives		43	6
Charges from non-hedging derivatives		(30)	(11)
Net result from non-hedging derivatives	**(c)**	**13**	**(5)**
Net result from derivatives	**(a+b+c)**	**117**	**109**
Positive fair value adjustments to fair value hedge derivatives		—	46
Negative fair value adjustments relating to financial assets and liabilities underlying fair value hedge derivatives		—	(44)
Net fair value adjustments	**(d)**	**—**	**2**
Positive fair value adjustments to Underlying financial assets and liabilities of fair value hedge derivatives		50	6
Negative fair value adjustments relating to fair value hedge derivatives		(54)	(5)
Net fair value adjustments	**(e)**	**(4)**	**1**
Net fair value adjustments to fair value hedge derivatives and underlyings	**(d+e)**	**(4)**	**3**
Positive fair value adjustments to non-hedging derivatives	(f)	79	174
Negative fair value adjustments to non-hedging derivatives	(g)	(151)	(71)
Net fair value adjustments to non-hedging derivatives	**(f+g)**	**(72)**	**103**

NOTE 36
PROFIT (LOSS) FOR THE YEAR

The profit (loss) for the year can be analyzed 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**

NOTE 37
EARNINGS PER SHARE

		2021	2020
Basic earnings per share			
Profit (loss) for the year attributable to owners of the Parent		(8,652)	7,224
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)		—	(66)
	(million euros)	(8,652)	7,158
Average number of ordinary and savings shares	(millions)	21,205	21,080
Basic earnings per share – Ordinary shares	(euros)	(0.40)	0.34
Plus: additional dividends per savings share		—	0.01
Basic earnings per share – Savings shares	(euros)	(0.40)	0.35
Basic earnings per share from continuing operations			
Profit (loss) from continuing operations attributable to Owners of the Parent		(8,652)	7,224
Less: additional dividends for the savings shares		—	(66)
	(million euros)	(8,652)	7,158
Average number of ordinary and savings shares	(millions)	21,205	21,080
Basic earnings per share from continuing operations – Ordinary shares	(euros)	(0.40)	0.34
Plus: additional dividends per savings share		—	0.01
Basic earnings per share from continuing operations – Savings shares	(euros)	(0.40)	0.35
Basic earnings per share from Discontinued operations/Non-current assets held for sale			
Profit (loss) from Discontinued operations/Non-current assets held for sale	(million euros)	—	—
Average number of ordinary and savings shares	(millions)	21,205	21,080
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares	(euros)	—	—
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares	(euros)	—	—

	2021	2020
Average number of ordinary shares	15,177,486,840	15,051,766,083
Average number of savings shares	6,027,791,699	6,027,791,699
Total	**21,205,278,539**	**21,079,557,782**

		2021	2020
Diluted earnings per share			
Profit (loss) for the year attributable to owners of the Parent		(8,652)	7,224
Dilution effect of stock option plans and convertible bonds (*)		—	42
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)		—	(66)
	(million euros)	(8,652)	7,200
Average number of ordinary and savings shares	(millions)	21,205	22,163
Diluted earnings per share – Ordinary shares	(euros)	(0.40)	0.33
Plus: additional dividends per savings share		—	0.01
Diluted earnings per share – Savings shares	(euros)	(0.40)	0.34
Diluted earnings per share from continuing operations			
Profit (loss) from continuing operations attributable to Owners of the Parent		(8,652)	7,224
Dilution effect of stock option plans and convertible bonds (*)		—	42
Less: additional dividends for the savings shares		—	(66)
	(million euros)	(8,652)	7,200
Average number of ordinary and savings shares	(millions)	21,205	22,163
Diluted earnings per share from continuing operations – Ordinary shares	(euros)	(0.40)	0.33
Plus: additional dividends per savings share		—	0.01
Diluted earnings per share from continuing operations – Savings shares	(euros)	(0.40)	0.34
Diluted earnings per share from Discontinued operations/Non-current assets held for sale			
Profit (loss) from Discontinued operations/Non-current assets held for sale	(million euros)	—	—
Dilution effect of stock option plans and convertible bonds		—	—
Average number of ordinary and savings shares	(millions)	21,205	22,163
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares	(euros)	—	—
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares	(euros)	—	—

	2021	2020
Average number of ordinary shares (*)	15,177,486,840	16,134,874,545
Average number of savings shares	6,027,791,699	6,027,791,699
Total	**21,205,278,539**	**22,162,666,244**

(*) The average number of ordinary shares also includes the potential ordinary shares relating to the equity compensation plans of employees for which the (market and non-market) performance conditions have been met, in addition to the theoretical number of shares that are issuable as a result of the conversion of the unsecured equity-linked convertible bond. Consequently, the “Net profit (loss) for the year attributable to owners of the Parent" and the “Profit (loss) from continuing operations attributable to owners of the Parent” were also adjusted to exclude the effects, net of tax, related to the above-mentioned plans and to the convertible bond (+42 million euros in 2020). For what concerns 2021, these effects were not included in the calculation of diluted earnings per share because, based on the provisions of IAS 33, they are antidilutive.

Future potential changes in share capital

The table below shows future potential changes in share capital, based on the issuance of the convertible bond by TIM S.p.A. in March 2015, in the plans for long-term share incentives, still outstanding at December 31, 2021:

	Number of maximum shares issuable	Share capital (thousand s of euros)	Additional paid-in capital (thousands of euros)	Subscription price per share (euros)
Capital increases already approved (ordinary shares)				
2020-2022 Long Term Incentive Plan (free issue)	180,000,000			
Stock Options	**180,000,000**			
2015 Convertible Bond (ordinary shares)(*)	1,138,239,144	2,000,000	N.A.	N.A.
Bonds	**1,138,239,144**	**2,000,000**		
Total	**1,318,239,144**	**2,000,000**		

(*) The number of shares potentially issuable shown may be subject to adjustments.

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

NOTE 38
SEGMENT REPORTING

a) Segment reporting

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

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

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

The results of financial management, income taxes for the year, as well as gains (losses) from Discontinued operations / Non-current assets held for sale are presented at a consolidated level.

Separate Consolidated Income Statement by Operating Segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Third-party revenues	12,477	12,874	2,839	2,931	—	—	—	—	15,316	15,805
Intragroup revenues	28	31	1	2	—	—	(29)	(33)	—	—
Revenues by operating segment	**12,505**	**12,905**	**2,840**	**2,933**	**—**	**—**	**(29)**	**(33)**	**15,316**	**15,805**
Other income	259	200	13	11	—	—	—	—	272	211
Total operating revenues and other income	**12,764**	**13,105**	**2,853**	**2,944**	**—**	**—**	**(29)**	**(33)**	**15,588**	**16,016**
Acquisition of goods and services	(5,534)	(5,129)	(1,037)	(1,070)	(3)	(3)	24	29	(6,550)	(6,173)
Employee benefits expenses	(2,703)	(2,401)	(237)	(236)	(1)	(1)	—	(1)	(2,941)	(2,639)
of which: accruals to employee severance indemnities	(1)	(1)	—	—	—	—	—	—	(1)	(1)
Other operating expenses	(1,211)	(639)	(282)	(318)	(8)	(5)	(1)	1	(1,502)	(961)
of which: write-downs and expenses in connection with credit management and provision charges	(896)	(334)	(113)	(132)	—	—	—	—	(1,009)	(466)
Change in inventories	17	(13)	(7)	8	—	—	—	(1)	10	(6)
Internally generated assets	397	416	72	79	—	—	6	7	475	502
EBITDA	**3,730**	**5,339**	**1,362**	**1,407**	**(12)**	**(9)**	**—**	**2**	**5,080**	**6,739**
Depreciation and amortization	(3,595)	(3,677)	(895)	(939)	—	—	—	—	(4,490)	(4,616)
Gains/(losses) on disposals of non-current assets	(5)	(19)	6	8	—	—	—	—	1	(11)
Impairment reversals (losses) on non-current assets	(4,120)	(8)	—	—	—	—	—	—	(4,120)	(8)
EBIT	**(3,990)**	**1,635**	**473**	**476**	**(12)**	**(9)**	**—**	**2**	**(3,529)**	**2,104**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	40	18	(2)	—	—	—	—	—	38	18
Other income (expenses) from investments									126	454
Finance income									1,124	1,143
Finance expenses									(2,274)	(2,322)
Profit (loss) before tax from continuing operations									**(4,515)**	**1,397**
Income tax expense									(3,885)	5,955
Profit (loss) from continuing operations									**(8,400)**	**7,352**
Profit (loss) from Discontinued operations/Non-current assets held for sale									—	—
Profit/(Loss) for the year									**(8,400)**	**7,352**
Attributable to:										
Owners of the Parent									**(8,652)**	**7,224**
Non-controlling interests									252	128

Revenues by operating segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenues from equipment sales - third party	1,322	1,300	88	102	—	—	1	—	1,411	1,402
Revenues from equipment sales - intragroup	—	—	—	—	—	—	—	—	—	—
Total revenues from equipment sales	**1,322**	**1,300**	**88**	**102**	—	**—**	**1**	**—**	**1,411**	**1,402**
Revenues from services - third party	11,155	11,574	2,751	2,829	—	—	(1)	—	13,905	14,403
Revenues from services - intragroup	28	31	1	2	—	—	(29)	(33)	—	—
Total revenues from services	**11,183**	**11,605**	**2,752**	**2,831**	—	**—**	**(30)**	**(33)**	**13,905**	**14,403**
Total third-party revenues	12,477	12,874	2,839	2,931	—	—	—	—	15,316	15,805
Total intragroup revenues	28	31	1	2	—	—	(29)	(33)	—	—
Total revenues by operating segment	**12,505**	**12,905**	**2,840**	**2,933**	**—**	**—**	**(29)**	**(33)**	**15,316**	**15,805**

Purchases of intangible assets, tangible assets and rights of use assets by operating segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Purchase of intangible assets	1,204	1,004	682	193	—	—	—	—	1,886	1,197
Purchase of tangible assets	2,095	1,682	570	456	—	—	—	—	2,665	2,138
Purchase of rights of use assets	304	843	442	519	—	—	—	—	746	1,362
Total purchase of intangible assets, tangible assets and rights of use assets	**3,603**	**3,529**	**1,694**	**1,168**	**—**	**—**	**—**	**—**	**5,297**	**4,697**
of which: capital expenditures	*3,377*	*2,748*	*1253*	*661*	*—*	*—*	*—*	*—*	*4,630*	*3,409*
of which: increases in lease/leasing contracts for right of use assets	*226*	*781*	*441*	*507*	*—*	*—*	*—*	*—*	*667*	*1,288*

Headcount by Operating Segment

(number of units)	Domestic		Brazil		Other Operations		Consolidated Total	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Headcount	**42,591**	**42,925**	**9,325**	**9,409**	**13**	**13**	**51,929**	**52,347**

Assets and liabilities by Operating Segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Non-current operating assets	40,805	44,736	5,332	5,098	1	1	1	(1)	46,139	49,834
Current operating assets	3,794	3,755	864	845	19	19	(37)	(35)	4,640	4,584
Total operating assets	44,599	48,491	6,196	5,943	20	20	(36)	(36)	50,779	54,418
Investments accounted for using the equity method	2,725	2,728	253	—	—	—	1	—	2,979	2,728
Discontinued operations /Non-current assets held for sale									—	—
Unallocated assets									15,429	16,088
Total Assets									**69,187**	**73,234**
Total operating liabilities	10,890	10,535	1,671	1,191	29	29	(81)	(82)	12,509	11,673
Liabilities directly associated with Discontinued operations/Non-current assets held for sale									—	—
Unallocated liabilities									34,639	32,721
Equity									22,039	28,840
Total Equity and Liabilities									**69,187**	**73,234**

b) Reporting by geographical area

(million euros)		Revenues				Non-current operating assets	
		Breakdown by location of operations		Breakdown by location of customers		Breakdown by location of operations	
		2021	2020	2021	2020	12/31/2021	12/31/2020
Italy	(a)	12,189	12,638	11,557	12,018	40,542	44,477
Overseas	(b)	3,127	3,167	3,759	3,787	5,597	5,357
Total	**(a+b)**	**15,316**	**15,805**	**15,316**	**15,805**	**46,139**	**49,834**

c) Information about major customers

None of the TIM Group's customers exceeds 10% of consolidated revenues.

NOTE 39
RELATED-PARTY TRANSACTIONS

The following tables show the figures relating to related-party transactions and the impact of those amounts on the separate consolidated income statement, consolidated statements of financial position and consolidated statements of cash flows.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length. They were performed in compliance with the internal procedure, which sets forth rules designed to ensure the transparency and fairness of the transactions in accordance with Consob Regulation 17221/2010. The current procedure is available on the website gruppotim.it, under the Group section/Governance Tools channel.

It should be noted that during the second half of 2021, Cassa Depositi e Prestiti and its subsidiaries were included in the scope of related companies, on the basis of assessments in this regard performed by the TIM S.p.A. Related Parties Committee.

The effects of the related-party transactions on the TIM Group separate consolidated income statement line items for 2021 and 2020 are as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2021

(million euros)	**Total** (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties** (b)	% of financial statement item (b/a)
Revenues	15,316	31	31			**62**	0.4
Other income	272	1	11			**12**	4.4
Acquisition of goods and services	6,550	355	142			**497**	7.6
Employee benefits expenses	2,941			74	34	**108**	3.7
Other operating expenses	1,502	3				**3**	0.2
Depreciation and amortization	4,490	50				**50**	1.1
Finance income	1,124		1			**1**	0.1
Finance expenses	2,274	18				**18**	0.8

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 2020

(million euros)	**Total** (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties** (b)	% of financial statement item (b/a)
Revenues	**15,805**	90	4			**94**	0.6
Other income	**211**	1				**1**	0.5
Acquisition of goods and services	**6,173**	250	113			**363**	5.9
Employee benefits expenses	**2,639**			73	16	**89**	3.4
Other operating expenses	**961**	2				**2**	0.2
Depreciation and amortization	**4,616**	39				**39**	0.8
Finance expenses	**2,322**	15				**15**	0.6

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

The effects of related-party transactions on the TIM Group consolidated statements of financial position line items at December 31, 2021 and 31 December, 2020, are as follows:

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2021

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Net financial debt						
Non-current financial receivables arising from lease contracts	(45)		(1)		**(1)**	2.2
Other non-current financial assets	(2,285)					—
Non-current financial liabilities for lease contracts	4,064	269			**269**	6.6
Current financial liabilities for financing contracts and others	5,945	1			**1**	—
Current financial liabilities for lease contracts	651	74			**74**	11.4
Total net financial debt	22,416	344	(1)		**343**	1.5
Other statement of financial position line items						
Rights of use assets	4,847	299	2		**301**	6.2
Trade and miscellaneous receivables and other current assets	4,358	24	56		**80**	1.8
Miscellaneous payables and other non-current liabilities	1,413	2	25		**27**	1.9
Trade and miscellaneous payables and other current liabilities	9,473	182	60	23	**265**	2.8

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2020

(million euros)	**Total** **(a)**	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	**Total related parties** **(b)**	% of financial statement item **(b/a)**
Net financial debt						
Non-current financial liabilities for lease contracts	**4,199**	313			**313**	7.5
Current financial liabilities for lease contracts	**631**	50			**50**	7.9
Other statement of financial position line items						
Right of use assets	**4,992**	347			**347**	7.0
Trade and miscellaneous receivables and other current assets	**4,346**	57	4		**61**	1.4
Miscellaneous payables and other non-current liabilities	**3,602**	2	1		**3**	0.1
Trade and miscellaneous payables and other current liabilities	**6,588**	101	40	22	**163**	2.5

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

The effects of the related-party transactions on the significant TIM Group consolidated statements of cash flows line items for 2021 and 2020 are as follows:

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2021

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis	**5,297**	8	15		**23**	0.4
Dividends paid	**368**		51		**51**	13.9

(*) Vivendi Group and companies belonging to the group that it belongs to; Cassa Depositi e Prestiti (CDP) and its subsidiaries and other related parties through Directors, Statutory Auditors and Key Managers.

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 2020

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis	**4,697**	378			**378**	8.0
Dividends paid	**390**		36		**36**	9.2

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

Transactions with associates, subsidiaries of associates and joint ventures

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2021	2020	TYPE OF CONTRACT
Revenues			
INWIT S.p.A.	42	89	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing, maintenance services, administrative outsourcing and electricity supply.
I-Systems S.A.	1		Services supplied by TIM S.A.
NordCom S.p.A.	1	1	Fixed and mobile voice services, equipment, data network connections and outsourcing.
TIMFin S.p.A.	(13)		Mobile and fixed voice services, outsourced services, fees and margins for miscellaneous costs for loans.
Total revenues	**31**	**90**	
Other income	**1**	1	Recovery of seconded personnel costs, recovery of centralized expenses.
Acquisition of goods and services			
INWIT S.p.A.	341	242	Supply of services for BTS sites, power supply systems for the supply of electricity of the hosted devices, monitoring and security services (alarms) and management and maintenance services, remote management and monitoring of the electricity consumption of TIM technological infrastructures (BTS) hosted at INWIT sites
I-Systems S.A.	5		Supply of multimedia communication services and capacity services.
W.A.Y. S.r.l.	8	6	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
Other minor companies	1	2	
Total acquisition of goods and services	**355**	**250**	
Other operating expenses	**3**	**2**	Penalties for breach of contract on maintenance management services to INWIT S.p.A.
Depreciation and amortization	**50**	**39**	Amortization of rights of use related to the recognition of greater non-current assets amortized over the residual contractual term, towards INWIT S.p.A.
Finance expenses			
INWIT S.p.A.	15	15	Finance expenses for interest related to financial liabilities for rights of use.
TIMFin S.p.A.	3		Finance expenses for commission and miscellaneous finance expenses.
Total finance expenses	**18**	**15**	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2021	12/31/2020	TYPE OF CONTRACT
Net financial debt			
Non-current financial liabilities for lease contracts	**269**	**313**	Non-current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A.
Current financial liabilities for lease contracts	**74**	**50**	Current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A.
Current financial liabilities for financing contracts and others	**1**		Financial liabilities for expenses on the transfer of receivables in respect of TIMFin S.p.A.
Other statement of financial position line items			
Right of use assets	**299**	**347**	Rights of use related to the recognition of greater non-current assets amortized over the residual contractual term, towards INWIT S.p.A.
Trade and miscellaneous receivables and other current assets			
INWIT S.p.A.	20	55	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, property leasing, maintenance services and administrative outsourcing.
I-Systems S.A.	1		Services supplied by TIM S.A.
W.A.Y. S.r.l.	2	2	Deferred costs for supply of customized platforms, application offers and fixed and mobile voice services.
Other minor companies	1	—	
Total trade and miscellaneous receivables and other current assets	**24**	**57**	
Miscellaneous payables and other non-current liabilities	**2**	**2**	Deferred contractual revenues from INWIT S.p.A.
Trade and miscellaneous payables and other current liabilities			
INWIT S.p.A.	171	98	Supply of services for BTS sites, monitoring and security services, management and maintenance services.
I-Systems S.A.	5		Supply of multimedia communication services and capacity services.
Movenda S.p.A.	1	1	Supply and certification of SIM-cards, software systems.
W.A.Y. S.r.l.	2	2	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, software development.
TIMFin S.p.A.	3		Cost of the risk for loans.
Total trade and miscellaneous payables and other current liabilities	**182**	**101**	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2021	2020	TYPE OF CONTRACT
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis			
INWIT S.p.A.	7	376	Higher value of rights of use as a result of new contracts or changes in existing lease contracts, IRU acquisition of backhauling connections, supply of plants, installation and related activations for the extension of indoor radio mobile coverage relative to TIM offerings to end customers.
Movenda S.p.A.	1	1	Supply and development systems software.
Other minor companies		1	
Total purchase of intangible, tangible and rights of use assets on an accrual basis	**8**	**378**	

At December 31, 2021, TIM S.p.A. had issued guarantees in favor of the joint venture Alfiere S.p.A. for 14 million euros.

Transactions with other related parties (through directors, statutory auditors and key managers, as well as participants in shareholder agreements pursuant to Article 122 of the Consolidated Law on Finance)

Details are provided below of the transactions with:

- Vivendi Group and the companies of the group that it belongs to;
- CDP Group (Cassa Depositi e Prestiti and Group subsidiaries);
- Companies related through Directors, Statutory Auditors and Key Managers with strategic responsibilities.

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2021	2020	TYPE OF CONTRACT
Revenues			
Other Directors or through		3	Fixed-line and mobile voice services and devices.
Cassa Depositi e Prestiti Group	30		IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, Microsoft licenses, application outsourcing services, cloud services, maintenance services and electricity supply.
Vivendi group	1	1	Circuit rental services and feasibility study for routing and submarine cable interface solutions in America to the Vivendi Group.
Total revenues	**31**	**4**	
Other income	**11**		Reimbursement by a CDP Group company due to Telenergia following the judgment of the Council of State no. 5625-2021s, published on 07.30.2021.
Acquisition of goods and services			
Cassa Depositi e Prestiti Group	31		Purchases of products for resale under the scope of TIM offerings to end customers, TIM sales network POS terminal fleet rental charges, costs for the use of SWIFTNet network access infrastructures to send and receive FIN and File messages, service relatiing to information flows and devices through interbanking corporate banking (CBI) and puchase of electricity.
Havas Group	107	109	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	4	4	Purchase of musical and television digital content (TIMmusic, TIMvision), operative management of the Telecom Italia S.p.A. on-line store platform "TIM I Love Games" and related developments.
Total acquisition of goods and services	**142**	**113**	
Finance income	**1**		

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2021	12/31/2020	TYPE OF CONTRACT
Net financial debt			
Financial receivables and other current financial assets	1		Non-current financial receivables arising from lease contracts for Cassa Depositi e Prestiti.
Other statement of financial position line items			
Right of use assets	2		Financial leasing to Cassa Depositi e Prestiti.
Trade and miscellaneous receivables and other current assets			
Other Directors or through		3	Fixed-line and mobile voice services and devices.
Cassa Depositi e Prestiti Group	43		Relating mainly to IRU transfer of rights to use dark fiber installation and infrastructures; supply of housing, dark fiber maintenance and dedicated GEA/Giganet connectivity services, fixed and mobile voice services and devices, Microsoft licenses, application outsourcing services, cloud services, maintenance services
Havas Group	13		Prepaid expenses related to costs for advertising services.
Vivendi group		1	TV series rights.
Total trade and miscellaneous receivables and other current assets	**56**	**4**	
Miscellaneous payables and other non-current liabilities			
Cassa Depositi e Prestiti Group	23		Deferred subscription charges revenues.
Vivendi group	2	1	Deferred income for IRU sale.
Total miscellaneous payables and other non-current liabilities	**25**	**1**	
Trade and miscellaneous payables and other current liabilities			
Other Directors or through		1	
Cassa Depositi e Prestiti Group	21		Purchases of products for resale under the scope of TIM offerings to end customers, TIM sales network POS terminal fleet rental charges, costs for the use of SWIFTNet network access infrastructures to send and receive FIN and File messages, service relative to information flows and devices through interbanking corporate banking (CBI) and purchase of electricity.
Havas Group	37	37	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	2	2	Purchase of musical and television digital content (TIMmusic, TIMvision), operative management of the Telecom Italia S.p.A. on-line store platform "TIM I Love Games" and related developments.
Total trade and miscellaneous payables and other current liabilities	**60**	**40**	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	2021	2020	TYPE OF CONTRACT
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis	**16**		Development of the discovery phase and MYCanal+ platform supply for the TimVision Service towards the Vivendi Group.
Dividends paid			
Cassa Depositi e Prestiti Group	15		Dividends paid
Vivendi group	36	36	Dividends paid
Total Dividends paid	**51**	**36**	

Transactions with pension funds

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(million euros)	2021	2020	TYPE OF CONTRACT
Employee benefits expenses			Contributions to pension funds.
Fontedir	9	9	
Telemaco	61	60	
Other pension funds	4	4	
Total employee benefits expenses	**74**	**73**	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	12/31/2021	12/31/2020	TYPE OF CONTRACT
Trade and miscellaneous payables and other current liabilities			Payables for contributions to pension funds.
Fontedir	3	3	
Telemaco	20	19	
Other pension funds	—		
Total trade and miscellaneous payables and other current liabilities	**23**	**22**	

Remuneration to key managers

In 2021, the total remuneration recorded on an accrual basis by TIM or by Group subsidiaries in respect of key managers amounted to 34 million euros (16 million euros for 2020). The figure breaks down as follows:

(million euros)	2021	2020
Short-term remuneration	9 [1]	11 [3]
Long-term remuneration		
Employment termination benefit incentives	18	2
Share-based payments (*)	7 [2]	3 [4]
Total	**34**	**16**

(*) These refer to the fair value of the rights, accrued to December 31, under the share-based incentive plans of TIM S.p.A. and its subsidiaries (Long Term Incentive and Plans of the subsidiaries).

[1] of which 1.2 million euros recorded by the subsidiaries;

[2] of which 1.0 million euros recorded by the subsidiaries;

[3] of which 1.0 million euros recorded by the subsidiaries;

[4] of which 0.4 million euros recorded by the subsidiaries.

Short-term remuneration is paid during the period it pertains to, at the latest within the six months following the end of that period and, in 2021, do not include the effects of the reversal of the accruals related to the 2020 costs amounting to 0.9 million euros.

The indemnities for early termination of employment for the year 2021 also include the amount paid to Mr. Luigi Gubitosi, amounting to 6.9 million euros.

In 2021, the contributions paid in to defined contribution plans (Assida and Fontedir) by TIM S.p.A. or by subsidiaries of the Group on behalf of key managers, amounted to 140,000 euros (135,000 euros at December 31, 2020).

In 2021, "Key managers", i.e. those who have the power and responsibility, directly or indirectly, for the planning, direction and control of the operations of the TIM Group, including directors, were the following:

Directors:		
Luigi Gubitosi	(1)	Managing Director and Chief Executive Officer of TIM S.p.A. General Manager
Pietro Labriola	(2)	General Manager of TIM S.p.A. Diretor Presidente TIM S.A.
Executives:		
Giovanna Bellezza	(3)	a.i. Head of Human Resources, Organization & Real Estate
Paolo Chiriotti	(4)	Head of Procurement
Simone De Rose	(5)	a.i. Head of Procurement
Michele Gamberini	(6)	Chief Technology & Information Office
	(7)	Chief Innovation & Information Office
Nicola Grassi	(8)	Head of Procurement
	(4)	Chief Technology & Operations Office
Stefano Grassi		Head of Security
Massimo Mancini	(5)	Chief Enterprise Market Office
Giovanni Gionata Massimiliano Moglia	(9)	Chief Regulatory Affairs & Wholesale Market Office
	(5)	Chief Regulatory Affairs Office
Carlo Nardello	(9)	Chief Strategy, Business Development & Transformation Office
Agostino Nuzzolo		Head of Legal & Tax
Claudio Giovanni Ezio Ongaro	(5)	a.i. Chief Strategy & Business Development Office
Federico Rigoni	(8)	Chief Revenue Officer
Giovanni Ronca		Chief Financial Office
Luciano Sale	(10)	Head of Human Resources, Organization & Real Estate
Stefano Siragusa	(6)	Chief Operations Office
	(11)	Chief Technology & Operations Office
	(12)	Chief Revenue Officer
	(13)	Chief Revenue, Information & Media Office
	(5)	Chief Network, Operations & Wholesale Office

(1) To November 26, 2021
(2) From November 27, 2021
(3) From November 30, 2021
(4) From July 5, 2021 to December 6, 2021
(5) From December 7, 2021
(6) To April 8, 2021
(7) From April 9, 2021 to September 20, 2021
(8) To July 4, 2021
(9) To December 6, 2021
(10) To November 29, 2021
(11) From April 9, 2021 to July 4, 2021
(12) From July 05, 2021 to September 20, 2021
(13) From September 21, 2021 to December 6, 2021

On January 21, 2022 the Board of Directors co-opted Pietro Labriola, who retains the office of General Manager, and appointed him as Chief Executive Officer, conferring on him all powers.

NOTE 40
EQUITY COMPENSATION PLANS

Equity compensation plans in force at December 31, 2021, are used for attraction and retention purposes, and as a long-term incentive for the managers and employees of the Group.

However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at December 31, 2021.

A summary is provided below of the plans in place at December 31, 2021.

Description of stock option plans

TIM S.A. Stock Option Plans

On April 10, 2014, the General Meeting of Shareholders of TIM Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company and its subsidiaries. Exercise of the options is not subject to the achievement of specific performance targets, but the strike price is adjusted upwards or downwards during each year for which the plan is in force, according to the ranking of the Total Shareholder Return of the TIM S.A. shares with respect to a panel of peers (made up of companies in the Telecommunications, Information Technology and Media industry).

The vesting period is 3 years (a third per year), the options can be exercised for 6 years, and the company does not have the legal obligation to repurchase or liquidate the options in cash, or in any other form.

Year 2014

On September 29, 2014, the grantees of the options were granted the right to purchase a total of 1,687,686 shares. At December 31, 2021, there are no options that can be exercised. Out of the total attributed, 1,558,043 options have been canceled (due to withdrawal of the participants from the company or for expiry of the exercise period), and 129,643 options have been exercised.

Year 2015

On October 16, 2015, the grantees of the options were granted the right to purchase a total of 3,355,229 shares. As of December 31, 2021, 100% of the options were considered as vested, and there are no options that can be exercised. Of the total options granted, 1,646,080 were canceled by participants leaving the company. All of the remaining balance (amounting to 1,709,149 options) has been exercised.

Year 2016

On November 8, 2016, the grantees of the options were granted the right to purchase a total of 3,922,204 shares.

At December 31, 2021, 100% of the options were considered as vested. Of the total options granted, 1,727,424 were canceled by participants leaving the company. Of the remaining balance (2,194,780 options), 2,082,228 options had been exercised and 112,552 could still be exercised.

Description of other compensation plans

TIM S.p.A. - Long Term Incentive Plan 2018-2020

Following approval of the 2020 financial statements, the parameter of stock performance has not reached the minimum level for accessing the premium, while the cumulative equity free cash flow parameter (30%) has reached an achievement level of 88.47% (between the minimum and target), thereby quantifying the number of shares accrued by beneficiaries as 6,715,617 shares, subject to a two-year lock-up from the accrual date.

TIM S.p.A. - Long Term Incentive Plan 2020-2022

The Shareholders' Meeting of April 23, 2020 approved the launch of the new rolling and equity based long-term incentive plan called LTI 2020-2022.

Each cycle of the plan is divided into two parties:

- **Performance Share**: free allocation of Company ordinary shares, the maturity of which is subject to an access gate linked to the value of the share and to two share and industrial performance conditions, given below.
- **Attraction/Retention Share**: free allocation of Company ordinary shares, the maturity of which is subject to the continuity of the employment relationship with TIM or TIM Group companies.

In relation to the Performance Share component, the performance conditions are as follows:

- access gate, represented by the value of the security, which at the end of each cycle must be equal to or greater than the value of the security at the start of the same cycle (refer to the normal value of the share equal to the average of the official closing prices of the Stock Exchange 30 days prior to the start and end of the Plan cycle);
- NFP/EBITDA ratio, with relative weighting equal to 40%;
- Relative performance (TSR) of the ordinary share compared to a basket of Peers, with a relative weighting of 60%.

A payout bonus/malus mechanism equal to 4% will be applied to both components (Performance Share and Attraction/Retention Share), linked, in equal measure,

- to the % growth of use of renewable energy out of total energy and to the reduction of indirect emissions of CO2 (2020-2022 cycle);
- to the % growth of use of renewable energy out of total energy and the increase in the female presence in the managerial population (2021-2023 cycle).

For the CEO, 100% of the Pay Opportunity is linked to the Performance Share component. For the remaining recipient managers, 70% of the Pay Opportunity is linked to the Performance Share and the remaining 30% to the Attraction/Retention Shares.

2020-2022 Cycle

On May 18, 2020, the Board of Directors launched the first cycle of the new Plan, for the three-year period 2020-2022, simultaneously assigning it to the CEO. At December 31, 2021, the first incentive cycle intended for 140 resources establishes the right of beneficiaries to receive 57,388,194 shares upon reaching the target, without prejudice to:

- the gate condition and application of the ESG correction for performance shares;
- application of the ESG correction and continuity of the contract of employment for attraction/retention shares.

2021-2023 Cycle

On April 28, 2021, the Board of Directors resolved the start of the second 2021-2023 cycle of incentives of the 2020-2022 Long Term Incentive Plan, at the same time assigning it to the CEO. The second cycle, like the first, is aimed at the Chief Executive Officer, Top Management and a selected segment of TIM Group's management.

At December 31, 2021, the cycle provides for the 153 recipients to be entitled to receive an award of 55,878,929 shares upon achievement of the target, subject to:

- the gate condition and application of the ESG correction for performance shares;
- application of the ESG correction and continuity of the contract of employment for attraction/retention shares.

TIM S.p.A. – Broad-Based Share Ownership Plan 2020

In implementation of the resolutions passed on April 23, 2020 by the Extraordinary Shareholders' Meeting and subsequently on May 18, 2020 by the Board of Directors of Telecom Italia S.p.A., on June 16, 2020 the campaign to subscribe to the 2020 Diffuse Share Ownership Plan was opened, closing on October 30, 2020; the shares were subscribed at a unit price of 0.31 euros.

To service the initiative, a maximum of 127,500,000 new shares were to be issued, to be offered for paid subscription and, subsequently, a maximum 42,500,000 new shares, without capital increase, for the free allocation of 1 Bonus Share for every 3 subscribed shares.

As a result of the issuance on November 27, 2020 of 126,343,913 Telecom Italia ordinary shares to the subscribers of the discount shares, 38,604,270 ordinary shares of the Company (*Bonus Share*) were granted free of charge on December 3, 2021, without a capital increase. As planned, the Bonus Shares were awarded to those who retained their subscribed shares for the period of one year from the assignment date, subject to continued employee status.

TIM S.A. - Long Term Incentive Plan 2018-2020

On April 19, 2018, the General Meeting of Shareholders of TIM Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company. The plan aimed to reward participants with shares issued by the company, subject to specific temporal and performance conditions. The portion of shares linked to performance (70%) is granted 1/3 each year, if the performance target is achieved; the remaining portion of shares (30%) is granted 3 years after allocation (restricted share). The vesting period is 3 years (with annual measurement) and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form.

The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2018

On April 20, 2018, plan beneficiaries were granted the right to receive a total of 849,932 shares, of which 594,954 performance shares restricted to performance conditions and with gradual vesting over 3 years and 254,978 restricted shares, with a total vesting period of 3 years.

At December 31, 2021, 100% of the rights assigned were considered as vested:

- **First vesting period**: in compliance with the results approved on May 29, 2019, 115,949 shares were transferred to beneficiaries, of which 91,708 relating to the original volume accrued, 20,594 granted according to the degree to which objectives had been achieved and 3,647 shares as a result of the dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 3,685 shares (2,915 relative to the original volume accrued, 654 acknowledged according to the degree to which the objectives had been achieved and 116 due to dividends distributed during the period).
- **Second vesting period**: in compliance with the results approved on June 17, 2020, 87,766 shares were transferred to beneficiaries, of which 83,181 relating to the original volume accrued, 70 discounted

according to the degree to which objectives had been achieved and 4,655 shares for dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 3,084 shares (2,915 relative to the original volume accrued, 5 acknowledged according to the degree to which the objectives had been achieved and 164 due to dividends distributed during the period).

- **Third vesting period**: in compliance with the results approved on May 5, 2021, 252,143 shares were transferred to beneficiaries, of which 187,039 relating to the original volume accrued, 42,854 discounted according to the degree to which objectives had been achieved and 22,250 shares for dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 12,500 shares (9,101 relative to the original volume accrued, 2,305 acknowledged according to the degree to which the objectives had been achieved and 1,094 due to dividends distributed during the period).

At December 31, 2021, of the total assigned of 849,932 shares, 473,073 had been canceled due to the beneficiaries having left the participating company, 455,858 shares had been transferred to beneficiaries (361,928 relative to the original volume accrued, 63,378 from performance achieved and 30,552 for payment of dividends in shares) and 19,269 shares had been valued and paid in cash (14,931 relative to the original volume accrued, 2,964 from performance achieved and 1,374 for payment of dividends in shares), thereby completing the 2018 concession.

Year 2019

On July 30, 2019, plan beneficiaries were granted the right to receive a total of 930,662 shares, of which 651,462 performance shares restricted to performance conditions and with gradual vesting over 3 years and 279,200 restricted shares, with a total vesting period of 3 years.

Two vesting periods ended on December 31:

- **First vesting period**: in compliance with the results approved on July 29, 2020, 309,557 shares were transferred to beneficiaries, of which 209,349 relating to the original volume accrued, 83,672 granted according to the degree to which objectives had been achieved and 16,536 shares as a result of the dividends distributed during the period.
- **Second vesting period**: in compliance with the results approved on July 26, 2021, 309,222 shares were transferred to beneficiaries, of which 207,859 relating to the original volume accrued, 78,111 discounted according to the degree to which objectives had been achieved and 23,252 shares for dividends distributed during the period.

At December 31, 2021, of the total assigned of 930,662 shares, 86,424 had been canceled due to the beneficiaries having left the company and 618,779 shares had been transferred to beneficiaries (417,208 related to the original volume vested, 161,783 from performance achieved and 39,788 for payment of dividends in shares), thereby leaving a balance of 427,030 shares that could be accrued at period end.

Year 2020

On April 14, 2020, plan beneficiaries were granted the right to receive a total of 796,054 shares, of which 619,751 performance shares restricted to performance conditions and with gradual vesting over 3 years and 176,303 restricted shares, with a total vesting period of 3 years.

At December 31, 2021, of the total assigned of 796,054 shares, 70,378 shares were canceled due to beneficiaries having left the company and 267,145 shares were transferred to beneficiaries against the result of the first vesting period of performance shares, in accordance with the results approved on May 5, 2021 (206,578 relating to the original volume vested, 51,634 recognized based on the level of achievement of objectives and 8,933 as a result of dividends distributed during the period), thereby leaving a balance of 519,098 shares that could be accrued at period end.

TIM S.A. - Long Term Incentive Plan 2021-2023

On March 30, 2021, the General Meeting of Shareholders of TIM S.A. approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, according to specific time (restricted shares) and performance (performance shares) conditions. The vesting period is 3 years and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

Year 2021

On May 05, 2021, plan beneficiaries were granted the right to receive a total of 3,431,610 shares, of which 3,173,142 performance shares restricted to performance conditions and with gradual vesting over 3 years and 258,468 restricted shares, with a total vesting period of 3 years.

In 2021, the Special Grant was added to the traditional plan, a further extraordinary concession with the aim of encouraging the closure of the Oi purchase operation in Brazil as well as the success of the subsequent integration operations.

Of the total 3,431,610 shares granted, 1,151,285 relate to the traditional grant (with 892,817 performance shares and 258,468 restricted shares) and 2,280,325 refer to the Special Grant.

As at December 31, 2021, the first vesting period has not yet finished. However, 311,876 shares were canceled due to the participants leaving the company.

Calculation of fair value measurement of the granted options and rights

Parameters used to determine the fair value – TIM S.p.A.

Plans/Parameters	Exercise price (euros)	Nominal value (euros) (1)	Volatility (2)	Duration	Expected dividends (euros) (3)	Risk-free interest rate (4)
LTI Plan 2018-2020 - equity component	-	0.63	n.a.	3 years	-	-0.552% at 3 years
LTI Plan 2018-2020 - equity component (two-year CEO granting)	-	0.51	n.a.	2 years	-	-0.594% at 2 years
LTI 2018 – 2020 Plan – equity component (two-year allocations)	-	0.48	n.a.	2 years	-	-0.569% at 2 years
LTI 2018 – 2020 Plan – equity component (two-year allocations)	-	0.48	n.a.	2 years	-	-0.570% at 2 years
2020-2022 LTI Plan – First Cycle (2020-22)	-	0.35	n.a.	3 years	0.01	-0.714% at 3 years
2020-2022 LTI Plan – Second Cycle (2021-23)	-	0.42	n.a.	3 years	0.01	-0.720% at 3 years
Broad-Based Share Ownership Plan 2020	-	0.333861	n.a.	1 year	0.01	-0.699% at 1 year
2020 Broad-Based Share Ownership Plan - the Bonus Shares	-	0.38	n.a.	-	-	-

(1) Arithmetic mean of the official prices of the Shares recognized starting from the stock market trading day prior to that of assignment until the thirtieth previous ordinary calendar day (both included) on the Electronic Stock Exchange organized and managed by Borsa Italiana S.p.A., calculated using only the days to which the prices taken as the basis of calculation refer as the divisor, cut off at the second decimal.
(2) Based on the performance objectives of the plan, the TIM share volatility values were considered and, if necessary, also those of the securities of the major companies of the telecommunications sector ("peer basket").
(3) Dividends have been estimated on the basis of Bloomberg data.
(4) The risk-free interest rate refers to the rate of government bonds of the Federal Republic of Germany (market benchmark for transactions in euros) on the valuation date with a maturity consistent with the reporting period.

Parameters used for the assignments of TIM S.A.

Plans/Parameters	Share base price (reais)	Nominal value (reais)	Volatility	Duration	Expected dividends (reais)	Risk-free interest rate
Stock option plan 2014	13.42	n.a.	44.60%	6 years	-	10.66% per annum
Stock option plan 2015	8.45	n.a.	35.50%	6 years	-	16.10% per annum
Stock option plan 2016	8.10	n.a.	36.70%	6 years	-	11.73% per annum
2018 PS/RS Plan	n.a.	14.41	n.a.	3 years	n.a.	n.a.
2019 PS/RS Plan	n.a.	11.28	n.a.	3 years	n.a.	n.a.
2020 PS/RS Plan	n.a.	14.40	n.a.	3 years	n.a.	n.a.
2021 PS/RS Plan	n.a.	12.95	n.a.	3 years	n.a.	n.a.

The parameters are characteristic of a stock option plan, considering the use of fair value appropriate only for Stock Option Plans.

Effects on the income statement and statement of financial position

Equity compensation plans which call for payment in equity instruments are recorded at fair value (except for the 2018 Plan of TIM S.A.) which represents the cost of such instruments at the grant date and is recorded in the separate income statements under "Employee benefits expenses" over the period between the grant date and the vesting period with a contra-entry to the equity reserve ("Other equity instruments"). For the portion of the plans that provide for the payment of compensation in cash, the amount is recognized in liabilities as a contra-entry to "Employee benefits expenses". Equity compensation plans which call for payment in equity instruments did not have significant impacts either on the income statements or the statements of financial position or of cash flows of the TIM Group at December 31, 2021.

NOTE 41

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of 2021 non-recurring events and transactions on the equity, profit, net financial debt and cash flows of the TIM Group is set out below in accordance with Consob Communication DEM/6064293 of July 28, 2006. The non-recurring effects on Equity and Profit (loss) for the year are shown net of tax effects.

(million euros)		Equity	Profit (loss) for the year	Net financial debt carrying amount	Cash flows (*)
Carrying amount	**(a)**	**22,039**	**(8,400)**	**22,416**	**2,383**
Revenue adjustments		(4)	(4)	—	—
Other income		11	11	(1)	1
Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects and other costs		(36)	(36)	57	(57)
Employee benefits expenses - Charges connected to corporate reorganization/restructuring and other costs		(263)	(263)	474	(474)
Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with customers and/or suppliers for other provisions and charges		(556)	(556)	250	(250)
Other income (expenses) from investments		18	18	(1,931)	1,931
Other finance income		1	1	—	—
Miscellaneous finance expenses		(1)	(1)	—	—
Goodwill impairment loss attributed to Domestic CGU		(4,120)	(4,120)	—	—
Tax realignment pursuant to Decree Law 104/2020 Art. 110		(3,785)	(3,785)	231	(231)
Tax receivables Brazil Business Unit		82	82	—	—
Total non-recurring effects	**(b)**	**(8,653)**	**(8,653)**	**(920)**	**920**
Income/(Expenses) relating to Discontinued operations	**(c)**	**—**	**—**	**—**	**—**
Figurative amount – financial statements	**(a-b-c)**	**30,692**	**253**	**23,336**	**1,463**

(*) Cash flows refer to the increase (decrease) in Cash and cash equivalents during the year.

"Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with customers and/or suppliers and other provisions and charges" include 548 million euros for the posting of Contractual risk provisions 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.

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.

In financial terms, TIM is contractually obliged to pay DAZN six installments in advance (July, September, November, January, March and May) for each year (July 1-June 30, corresponding to each championship season), without prejudice to the fact that should the report of TIM customers with DAZN service in the two months prior to each installment record a higher amount being due to the latter (at present, this is purely theoretical), TIM would be required to also pay this difference.

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

(million euros)	2021	2020
Revenues:		
Revenue adjustments	(5)	(39)
Other income:		
Other operating provisions absorption	—	1
Recovery of operating expenses	13	—
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(49)	(64)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(367)	(74)
Other operating expenses:		
Sundry expenses and other 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)**	**(324)**
Goodwill impairment loss Domestic CGU	(4,120)	—
Impact on EBIT - Operating profit (loss)	**(5,263)**	**(324)**
Other income (expenses) from investments:		
Net capital gain on corporate transactions	119	452
Finance income:		
Other finance income	1	—
Finance expenses:		
Miscellaneous finance expenses	(1)	(7)
Impact on profit (loss) before tax from continuing operations	**(5,144)**	**121**
Tax realignment pursuant to Decree Law 104/2020 Art. 110	(3,785)	5,877
Income taxes on non-recurring items	276	50
Impact on Profit (loss) for the year	**(8,653)**	**6,048**

In 2021, the COVID-19 emergency meant that the TIM Group incurred non-recurring charges, gross of tax effects, for approximately 25 million euros, of which 20 million euros allocated in connection with credit management deriving from the expected worsening of the expected credit loss of corporate customers, due to the expected evolution of the pandemic.
Staff costs (1 million euros) and costs relating to supplies and miscellaneous costs (4 million euros), which were necessary to manage the health emergency, have also been recorded.
Furthermore, the figures stated mainly include both non-recurring charges connected with corporate reorganization/restructuring processes and provisions for disputes, transactions, regulatory sanctions and potential liabilities and expenses connected with agreements and the development of non-recurring projects.
At December 31, 2021, non-recurring income was also recorded for approximately 82 million euros in connection with tax benefits of the Brazil Business Unit.

For more details on the tax benefits of the Brazil Business Unit and the tax realignment pursuant to Decree Law 104/2020, refer to the Note on “Income tax expense (current and deferred)”.

NOTE 42

POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with Consob Communication DEM/6064293 of July 28, 2006, a statement is made to the effect that in 2021 the TIM Group did not pursue any atypical and/or unusual transactions, as defined by that Communication.

NOTE 43
OTHER INFORMATION

a) Exchange rates used to translate the financial statements of foreign operations(*)

(local currency against 1 euro)		Year-end exchange rates (statements of financial position) 12/31/2021	12/31/2020	Average exchange rates for the year (income statements and statements of cash flows) 2021	2020
Europe					
BGN	Bulgarian Lev	**1.95580**	1.95580	**1.95580**	1.95580
CZK	Czech koruna	**24.85800**	26.24200	**25.64620**	26.45640
CHF	Swiss franc	**1.03310**	1.08020	**1.08136**	1.07047
TRY	Turkish lira	**15.23350**	9.11310	**10.49995**	8.04599
GBP	Pound sterling	**0.84028**	0.89903	**0.85970**	0.88940
RON	Romanian leu	**4.94900**	4.86830	**4.92118**	4.83817
RUB	Russian ruble	**85.30040**	91.46700	**87.18796**	82.66883
North America					
USD	U.S. dollar	**1.13260**	1.22710	**1.18285**	1.14179
Latin America					
VES (**)	Venezuelan bolivar – Soberano	**5.19230**	1,356,945.08000	**2,489,106.60692**	375,274.05000
BOB	Bolivian Bolíviano	**7.83860**	8.47930	**8.16146**	7.88964
PEN	Peruvian nuevo sol	**4.55660**	4.44260	**4.58967**	3.99284
ARS	Argentine peso	**116.53860**	103.24940	**112.44200**	80.83685
CLP	Chilean peso	**969.83000**	872.52000	**898.33180**	902.97084
COP	Colombian peso	**4,628.12000**	4,202.34000	**4,430.02835**	4,215.45981
BRL	Brazilian real	**6.32047**	6.37680	**6.35936**	5.88806
Other countries					
ILS	Israeli shekel	**3.51590**	3.94470	**3.82197**	3.92462
NGN	Nigerian Naira	**483.26890**	465.68500	**482.17941**	407.22874

(*) Source: Data processed by the European Central Bank, Reuters and major Central Banks.
(**) On October 1, 2021, a new monetary scale took effect, entailing the elimination of six zeros in relation to the previous one (1,000,000Bs = 1Bs).

b) Research and development

Costs for research and development activities are represented by external costs, labor costs of dedicated staff and depreciation and amortization. Details are as follows:

(million euros)	2021	2020
Research and development costs expensed during the year	56	79
Capitalized development costs	1,016	1,043
Total research and development costs (expensed and capitalized)	**1,072**	**1,122**

The decrease recorded in the 2021 financial year is due to the stabilization of implementation activities connected with the new generation networks, partly offset by software developments on corporate information systems.

In the 2021 Separate Consolidated Income Statement, a total of 907 million euros of depreciation/amortization expense was recorded for development costs, capitalized during the year and in prior years.

Research and development activities carried out by the TIM Group are described in detail in the Report on Operations (“Research and Development” section).

c) Leasing income

The TIM Group has entered into lease contracts on land and buildings for office and industrial use, mobile network infrastructure sites and network infrastructure; at December 31, 2021 and at December 31, 2020, the lease installments at nominal value still to be collected totaled:

(million euros)	12/31/2021	12/31/2020
.Within next year	100	154
From 1 to 2 years after the end of the reporting period	36	74
From 2 to 3 years after the end of the reporting period	34	62
From 3 to 4 years after the end of the reporting period	34	56
From 4 to 5 years after the end of the reporting period	30	54
Beyond 5 years after the end of the reporting period	29	54
Total	**263**	**454**

d) Public funds

Italian Law 124/2017 requires that information on subsidies, contributions, paid assignments and economic benefits of any kind received from Italian public administrations be provided. In this regard, the following table shows the disbursements collected by the TIM Group in the years 2021 and 2020:

Distributing entity	Area of intervention	Received in 2021 (million euros)	Received in 2020 (million euros)
Fondimpresa/Fondirigenti	training		1
Infratel	construction of broadband and ultrabroadband infrastructure	3	24
MUR (formerly MIUR)	research projects		3
ANPAL	New Skills Fund	54	
Sundry income (*)		1	1
Total		**58**	**29**

(*) 2021 - MiSE, Fondimpresa/Fondirigenti, MUR (formerly MIUR)
2020 - MED; Region of Lombardy, Region of Apulia

e) Directors' and statutory auditors' remuneration

Total remuneration due for 2021 to the directors and statutory auditors of TIM S.p.A. for the performance of these functions at the Parent and in other consolidated companies totaled 7.217 million euros for directors and 0.537 million euros for statutory auditors. In reference to the compensation to which the Directors are entitled, it should be noted that the amount was calculated by considering only compensation for corporate offices (in primis those under Article 2389, paragraphs 1 and 3 of the Italian Civil Code), thus excluding amounts relating to any employment relationship with the companies of the Group and any non-monetary fringe benefits; for a complete and detailed description of the compensation paid to the directors, reference should be made to the Compensation Report, available at the Company's headquarters and on the corporate website at the following address: gruppotim.it/assemblea.

f) Summary schedule of fees due to the audit firm and other firms in its network

The following schedule reports the fees due to EY S.p.A. and to the other firms in the EY network for the audit of the 2021 financial statements, and the fees referring to 2021 for other audit and review services, and for other services besides audit rendered to the companies of the TIM Group from EY S.p.A. and other firms in the EY network. The out-of-pocket expenses incurred for these services in 2021 are also shown.

(euros)	EY S.p.A.			Other entities of the EY network			
	TIM S.p.A..	Subsidiaries	TIM Group	TIM S.p.A..	Subsidiaries	TIM Group	Total EY network
Audit services	2,757,343	2,085,615	4,842,958	—	1,470,204	1,470,204	6,313,162
Audit services with the issue of certification	80,000	—	80,000	—	65,292	65,292	145,292
Attestation of compliance of the Consolidated Non-Financial Statement	72,907	—	72,907	—	19,184	19,184	92,091
Other services	—	—	—	—	—	—	—
Total 2021 fees due for auditing and other services to the EY network	**2,910,250**	**2,085,615**	**4,995,865**	**—**	**1,554,680**	**1,554,680**	**6,550,545**
Out-of-pocket expenses	10,016	37,629	47,645	—	52,754	52,754	100,399
Total	**2,920,266**	**2,123,244**	**5,043,510**	**—**	**1,607,434**	**1,607,434**	**6,650,944**

NOTE 44
EVENTS SUBSEQUENT TO DECEMBER 31, 2021

CADE approves acquisition of Oi's mobile business by Tim Brasil

The offer submitted by TIM S.A., Brazilian subsidiary of the TIM Group, for the acquisition of the mobile assets of the Oi Group, together with Telefônica Brasil S.A. (VIVO) and Claro S.A., has been 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.

TIM reaffirms that the transaction, as of its completion, will add value not only to its Brazilian subsidiary but to the whole 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.

TIM: Solidarity for Ukraine, unlimited data and minutes included for customers of Ukrainian nationality

To express its solidarity with the Ukrainian population struck by the current conflict, TIM has made a series of benefits available to its Ukrainian nationality customers in Italy, to help them communicate with friends and family.

Starting March 1, 2022, they will have unlimited data and minutes for a week. To adhere to the initiative, simply answer the specific informative SMS, visit a TIM store or call 119 or visit the My TIM area.

NOTE 45
LIST OF COMPANIES OF THE TIM GROUP

In accordance with Consob Communication DEM/6064293 dated July 28, 2006, the list of companies is provided herein.
The list is divided by type of investment, consolidation method and operating segment.
The following is indicated for each company: name, head office, country and share capital in the original currency. In addition to the percentage ownership of share capital, the percentage of voting rights in the ordinary shareholders' meeting, if different from the percentage holding of share capital, and which companies hold the investment.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
PARENT COMPANY						
TIM S.p.A.	MILAN	EUR	11,677,002,855			
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
DOMESTIC BU						
CD FIBER S.r.l. (design, construction, maintenance and management of network infrastructure services and high-speed electronic communication systems)	ROME	EUR	50,000	100.0000		TIM S.p.A.
DAPHNE 3 S.p.A. (assumption, holding, management and disposal of equity investments in INWIT)	MILAN	EUR	100,000	51.0000		TIM S.p.A.
FIBERCOP S.p.A. (infrastructures, networks, passive cabled access services to the premises of end users to be offered to TLC operators throughout Italy)	MILAN	EUR	10,000,000	58.0000		TIM S.p.A.
GLOBAL SPACE TRE S.r.l. (in liquidation) (ICT services)	ROME	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
MED 1 SUBMARINE CABLES Ltd (construction and management of the submarine cable lev1)	RAMAT GAN (ISRAEL)	ILS	9,607,583	100.0000		TELECOM ITALIA SPARKLE S.p.A.
NOOVLE AI S.r.l. (ICT services)	ROVERETO	EUR	10,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE INTERNATIONAL SAGL (ICT services)	PREGASSONA (SWITZERLAND)	CHF	20,000	100.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE MALTA Ltd (ICT services)	GZIRA (MALTA)	EUR	10,000	90.0000		NOOVLE INTERNATIONAL SAGL
NOOVLE S.p.A. SOCIETA' BENEFIT (design, implementation and management of infrastructures and data center services)	MILAN	EUR	1,000,000	100.0000		TIM S.p.A.
NOOVLE SICILIA S.c.a.r.l. (ICT services)	PALERMO	EUR	50,000	80.0000		NOOVLE S.p.A. SOCIETA' BENEFIT
NOOVLE SLOVAKIA S.R.O. (in liquidation) (ICT services)	BRATISLAVA (SLOVAKIA)	EUR	5,000	85.0000 15.0000		NOOVLE S.p.A. SOCIETA' BENEFIT TELECOM ITALIA FINANCE S.A.
OLIVETTI PAYMENT SOLUTIONS S.p.A. (management of equity investments, study and research activities, commercial, industrial, financial movable and real estate activities)	MILAN	EUR	350,000	100.0000		OLIVETTI S.p.A.
OLIVETTI S.p.A. (production and sale of office equipment and information technology services)	IVREA (TURIN)	EUR	11,000,000	100.0000		TIM S.p.A.
PANAMA DIGITAL GATEWAY S.A. (telecommunications services and data center	PANAMA CITY (PANAMA)	USD	10,000	60.0000		TELECOM ITALIA SPARKLE S.p.A.
STAER SISTEMI S.r.l. (activities connected with the production and marketing of electronic systems and programs and activities connected with energy efficiency plants)	ROME	EUR	419,000	100.0000		OLIVETTI S.p.A.
TELECOM ITALIA SAN MARINO S.p.A. (San Marino telecommunications management)	BORGO MAGGIORE (SAN MARINO)	EUR	1,808,000	100.0000		TIM S.p.A.
TELECOM ITALIA SPARKLE S.p.A. (completion and management of telecommunications services for public and private use)	ROME	EUR	200,000,000	100.0000		TIM S.p.A.
TELECOM ITALIA TRUST TECHNOLOGIES S.r.l. (other operations related to non-classified IT services)	POMEZIA (ROME)	EUR	7,000,000	100.0000		OLIVETTI S.p.A.
TELECOM ITALIA VENTURES S.r.l. (investment holding company)	MILAN	EUR	10,000	100.0000		TIM S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TELECONTACT CENTER S.p.A. (telemarketing services)	NAPLES	EUR	3,000,000	100.0000		TIM S.p.A.
TELEFONIA MOBILE SAMMARINESE S.p.A. (development and management of mobile telecommunications plants and services)	BORGO MAGGIORE (SAN MARINO)	EUR	78,000	51.0000		TELECOM ITALIA SAN MARINO S.p.A.
TELENERGIA S.r.l. (import, export, purchase, sale and trade of electricity)	ROME	EUR	50,000	100.0000		TIM S.p.A.
TELSY S.p.A. (production, installation, maintenance, reconditioning and sale of terminals, radio telephones, telecommunications and electronic systems in general)	TURIN	EUR	5,390,000	100.0000		TIM S.p.A.
TI SPARKLE AMERICAS Inc. (managed bandwidth services)	MIAMI (UNITED STATES OF AMERICA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ARGENTINA S.A. (managed bandwidth services)	BUENOS AIRES (ARGENTINA)	ARS	9,998,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE AUSTRIA GmbH (telecommunications services)	VIENNA (AUSTRIA)	EUR	2,735,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE BELGIUM S.P.R.L. – B.V.B.A. (telecommunications services)	BRUSSELS (BELGIUM)	EUR	2,200,000	99.9967 0.0033		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	71,563,866	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE BRASIL TELECOMUNICAÇÕES Ltda (managed bandwidth services)	RIO DE JANEIRO (BRAZIL)	BRL	69,337,363	99.9999 0.0001		TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda TI SPARKLE AMERICAS Inc.
TI SPARKLE BULGARIA EOOD (telecommunications)	SOFIA (BULGARIA)	BGN	100,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE CHILE S.p.A. (managed bandwidth services)	SANTIAGO (CHILE)	CLP	5,852,430,960	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE COLOMBIA Ltda (managed bandwidth services)	BOGOTA' (COLOMBIA)	COP	12,635,774,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE CZECH S.R.O. (telecommunications services)	PRAGUE (CZECH REPUBLIC)	CZK	6,720,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE FRANCE S.A.S. (installation and management of telecommunications services for fixed network and related activities)	PARIS (FRANCE)	EUR	18,295,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GERMANY GmbH (telecommunications services)	FRANKFURT (GERMANY)	EUR	25,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GREECE S.A. (telecommunications)	ATHENS (GREECE)	EUR	368,760	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ISRAEL Ltd (international wholesale telecommunication services)	RAMAT GAN (ISRAEL)	ILS	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NETHERLANDS B.V. (telecommunications services)	AMSTERDAM (NETHERLANDS)	EUR	18,200	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NORTH AMERICA, Inc. (telecommunications and promotional services)	NEW YORK (UNITED STATES OF AMERICA)	USD	15,550,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PANAMA S.A. (managed bandwidth services)	PANAMA CITY (PANAMA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PERU' S.A. (managed bandwidth services)	LIMA (PERU)	PEN	57,101,788	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE PUERTO RICO LLC (managed bandwidth services)	SAN JUAN (PUERTO RICO)	USD	3,050,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ROMANIA S.r.l. (telecommunications services)	BUCHAREST (ROMANIA)	RON	3,021,560	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE RUSSIA LLC (telecommunications services)	MOSCOW (RUSSIA)	RUB	8,520,000	99.0000 1.0000		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE SINGAPORE Pte.Ltd (telecommunications services)	SINGAPORE	USD	5,121,120	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE NORTH AMERICA, Inc.
TI SPARKLE SLOVAKIA S.R.O. (telecommunications services)	BRATISLAVA (SLOVAKIA)	EUR	300,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE SPAIN TELECOMMUNICATIONS S.L. (telecommunications services)	MADRID (SPAIN)	EUR	1,687,124	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ST. CROIX LLC (managed bandwidth services)	VIRGIN ISLANDS (UNITED STATES OF AMERICA)	USD	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
TI SPARKLE SWITZERLAND GmbH (telecommunications services)	ZURICH (SWITZERLAND)	CHF	2,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE TURKEY TELEKOMÜNIKASYON ANONIM SIRKETI (telecommunications services)	ISTANBUL (TURKEY)	TRY	65,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE UK Ltd (value-added and networking services)	LONDON (UNITED KINGDOM)	EUR	3,983,254	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE VENEZUELA C.A. (managed bandwidth services)	CARACAS (VENEZUELA)	VES	10	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TIESSE S.c.p.A. (installation and assistance for electronic, IT, telematics and telecommunications equipment)	IVREA (TURIN)	EUR	103,292	61.0000		OLIVETTI S.p.A.
TIM MY BROKER S.r.l. (Insurance brokerage)	ROME	EUR	10,000	100.0000		TIM S.p.A.
TIM RETAIL S.r.l. (ex 4G RETAIL S.r.l.) (sale of fixed and mobile telecommunications products and services and all analog and digital broadcasting equipment)	MILAN	EUR	2,402,241	100.0000		TIM S.p.A.
TIM SERVIZI DIGITALI S.p.A. (development and ordinary and extraordinary maintenance of plants for the supply of telecommunications services to end customers)	ROME	EUR	50,000	100.0000		TIM S.p.A.
TIS LAGOS LIMITED (telecommunications services)	LAGOS (NIGERIA)	NGN	10,000,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
BRAZIL BU						
TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	7,169,029,859	99.9999 0.0001		TELECOM ITALIA FINANCE S.A. TIM S.p.A.
TIM S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	13,477,890,508	66.5882 0.0165	66.5992	TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. TIM S.A.
OTHER OPERATIONS						
OLIVETTI DEUTSCHLAND GmbH (sale of office equipment and supplies)	NURNBERG (GERMANY)	EUR	25,600,000	100.0000		OLIVETTI S.p.A.
OLIVETTI UK Ltd (sale of office equipment and supplies)	NORTHAMPTON (UNITED KINGDOM)	GBP	6,295,712	100.0000		OLIVETTI S.p.A.
TELECOM ITALIA CAPITAL S.A. (financial company)	LUXEMBOURG	EUR	2,336,000	100.0000		TIM S.p.A.
TELECOM ITALIA FINANCE S.A. (financial company)	LUXEMBOURG	EUR	1,818,691,979	100.0000		TIM S.p.A.
TELECOM ITALIA LATAM PARTICIPAÇÕES E GESTÃO ADMINISTRATIVA Ltda (telecommunications and promotional services)	SAO PAULO (BRAZIL)	BRL	118,925,804	100.0000		TIM S.p.A.
TI AUDIT COMPLIANCE LATAM S.A. (in liquidation) (internal audit services)	RIO DE JANEIRO (BRAZIL)	BRL	1,500,000	69.9996 30.0004		TIM S.p.A. TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD						
AREE URBANE S.r.l. (in liquidation) (real estate management)	MILAN	EUR	100,000	32.6200		TIM S.p.A.
CONSORZIO MEDSTAR (other services to support businesses)	ROME	EUR	10,000	50.0000		STAER SISTEMI S.r.l.
INFRASTRUTTURE WIRELESS ITALIANE S.p.A. (installation and operation of installations and infrastructure for the management and the sale of telecommunications services)	MILAN	EUR	600,000,000	30.2000		DAPHNE 3 S.p.A.
I-SYSTEMS S.A. (telecommunications systems)	RIO DE JANEIRO (BRAZIL)	BRL	1,794,287,995	49.0000		TIM S.A.
MOVENDA S.p.A. (design, construction and diffusion of Internet sites, products and computer media)	ROME	EUR	133,333	24.9998		TELECOM ITALIA FINANCE S.A.
NORDCOM S.p.A. (application service provider)	MILAN	EUR	5,000,000	42.0000		TIM S.p.A.
PEDIUS S.r.l. (implementation of specialized telecommunications applications, telecommunications services over telephone connections, VOIP services)	ROME	EUR	181	(*)		TELECOM ITALIA VENTURES S.r.l.
QTI S.r.l. (development, production and sale of innovative products and services with high technological value)	FLORENCE	EUR	14,925	33.0000		TELSY S.p.A.
SATISPAY S.p.A (production of software not connected with publishing)	MILAN	EUR	826,385	(*)		TELECOM ITALIA VENTURES S.r.l.
SMART STRUCTURES SOLUTIONS S.r.l. (engineering research activities)	ROME	EUR	15,000	36.0000		STAER SISTEMI S.r.l.
TIGLIO I S.r.l. (in liquidation) (real estate management)	MILAN	EUR	100,000	47.8020		TIM S.p.A.
TIMFIN S.p.A. (formerly TIM-SCB JV S.p.A.) (carrying out in regard to the public of the concession of loans in any form and, notably, of any type of finance disbursed in the form of a personal and consumer loan)	TURIN	EUR	40,000,000	49.0000		TIM S.p.A.
W.A.Y. S.r.l. (development and sale of geolocation products and systems for security and logistics)	TURIN	EUR	136,383	39.9999		OLIVETTI S.p.A.
WEBIDOO S.p.A. (ICT services)	MILAN	EUR	242,357	(*)		TELECOM ITALIA VENTURES S.r.l.
WESCHOOL S.r.l. (formerly OILPROJECT S.r.l.) (research, development, marketing and patenting of all intellectual property related to technology, information technology and TLC)	MILAN	EUR	25,000	(*)		TELECOM ITALIA VENTURES S.r.l.

(*) Associate over which TIM S.p.A., directly or indirectly, exercises significant influence pursuant to IAS 28 (Investments in Associates and Joint Ventures).

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting rights	Participating companies
OTHER MAJOR INVESTMENTS						
IBAS ITALIAN BROADCASTING ADVANCE SOLUTIONS (consultancy services for the management of common promotional activities and connected public relations of the consortium members)	DESENZANO DEL GARDA (BRESCIA)	EUR	16,000	12.5000		STAER SISTEMI S.r.l.
DAHLIA TV S.p.A. (in liquidation) (pay-per-view services)	ROME	EUR	11,318,833	10.0786		TIM S.p.A.
FIN.PRIV. S.r.l. (financial company)	MILAN	EUR	20,000	14.2900		TIM S.p.A.
IGOON S.r.l. (in liquidation) (carpooling scheme to share unused seating capacity in cars in real time through a mobile App)	NAPLES	EUR	16,498	14.2805		TELECOM ITALIA VENTURES S.r.l.
INNAAS S.r.l. (design, development and sale of high-tech software and hardware)	ROME	EUR	108,700	15.2539		TELECOM ITALIA VENTURES S.r.l.
MIX S.r.l. (internet service provider)	MILAN	EUR	1,000,000	11.0937		TIM S.p.A.
WIMAN S.r.l. (development, management and implementation of platforms for social-based Wi-Fi authentication)	MATTINATA (FOGGIA)	EUR	22,333	14.4935		TELECOM ITALIA VENTURES S.r.l.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 DATED MAY 14, 1999, WITH AMENDMENTS AND ADDITIONS

1. We, the undersigned, Pietro Labriola, as Chief Executive Officer, and Giovanni Ronca, as Manager responsible for preparing TIM S.p.A. financial reports, certify, having also considered the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of February 24, 1998, that:
   - the adequacy in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the 2021 fiscal year.

2. TIM has adopted the Internal Control – Integrated Framework Model (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission, as its framework for the establishment and assessment of its internal control system, with particular reference to the internal controls for the preparation of the financial statements.

3. The undersigned also certify that:

   3.1. the Consolidated Financial Statements at December 31, 2021:

   a) have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of July 19, 2002 (International Financial Reporting Standards – IFRS), as well as the legislative and regulatory provisions in force in Italy, including, in particular, the measures enacted for the implementation of Article 9 of Italian Legislative Decree 38 of February 28, 2005;

   b) agree with the results of the accounting records and entries;

   c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Company and its consolidated subsidiaries;

   3.2. The report on operations contains a reliable operating and financial review of the Company and of the Group, as well as a description of their exposure to the main risks and uncertainties. The Report on Operations also contains a reliable analysis of information concerning significant related-party transactions.

March 2, 2022

Chief Executive Officer	**Manager Responsible for Preparing the Corporate Financial Reports**
/ signed /	/ signed /
Pietro Labriola	Giovanni Ronca

INDEPENDENT AUDITORS' REPORT

EY S.p.A.
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
TIM S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TIM Group (the Group), which comprise the consolidated statement of financial position as at December 31 ,2021, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of TIM S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Impairment test of goodwill – Domestic	
As of December 31, 2021 goodwill amounts to Euro 18,568 million and refers for Euro 18,124 million to the Domestic cash generating unit ("CGU") and for Euro 444 million to the Brazil CGU. Based on the impairment test performed as of December 31, 2021, an impairment loss of Euro 4,120 has been recorded for the Domestic CGU. The processes and methodologies used by the Group to evaluate and determine the recoverable amount of each CGU, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the forecast of future cash flows and to the estimate of the long-term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgment required and the complexity of the assumptions applied in estimating the recoverable amount of goodwill, we considered this area a key audit matter. Disclosures related to the assessment of goodwill are reported in note 4 "Goodwill" and in note 2 "Accounting policies" in the paragraphs "Intangible assets - Goodwill"," Impairment of intangible, tangible and rights of use assets - Goodwill" and "Use of estimates".	Our audit procedures in response to the key audit matter included, among others: ► the assessment of the processes implemented by the Group with reference to the criteria and methodology of the impairment test; ► the validation of the CGUs perimeter and the test of the allocation of the carrying value of the Group's assets to each CGU; ► the assessment of the reasonableness of the future cash flows forecasts, including comparisons with sector data and forecasts, utilized in the fair value determination; ► the assessment of the consistency of the future cash flows forecasts of each CGU with the Group business plan; ► the assessment of forecasts in light of their historical accuracy; ► the assessment of the reasonableness of long-term growth rates and discount rates. The procedures referred to in the previous points also concerned the analysis of the assessments performed by the independent experts appointed by the Group. In performing our analysis, we involved our experts in valuation techniques, who performed an independent recalculation and carried out sensitivity analyses on the key assumptions in order to determine which changes in the assumptions could materially affect the recoverable amount. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the valuation of goodwill.

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Revenue recognition	
TIM Group's revenues amounted to Euro 15,316 million as of December 31, 2021 and refer almost entirely to the telecommunications services rendered to retail and wholesale customers (other telecommunications operators). Procedures over the accounting of revenues required significant focus in the context of our audit procedures due to i) a highly complex accounting process due to the number of commercial offers, the number of underlying application systems and the related reconciliation processes, ii) the presence of certain manual phases in the revenue recognition process, in particular for services provided to large customers and iii) the complexity in estimating commitments connected to certain contracts. The Group provides the relative disclosures in Note 25 "Revenues" of the consolidated financial statements.	Our audit procedures in response to the key audit matter included, among others: ► an understanding of the processes underlying the revenue recognition; ► the understanding and verification of the design and operation of the relevant controls over the revenue recognition process; ► the analysis of the application systems supporting the revenue recognition process; ► the assessment that the accounting policy adopted for the main commercial offers is consistent with the provisions of the reference accounting standard; ► the analysis, on a sample basis, of some significant transactions relating to invoices issued and invoices to be issued, in order to verify that the contractual data and the evidence supporting the actual service rendered and / or goods transferred were consistent with the accounting policy adopted; ► the analysis of the valuation of certain contracts identified as onerous contracts; ► the reconciliation of the management accounts with the accounting records in connection with the main balance sheet items related to customer relations; ► the analysis of the manual journal entries. We also required external confirmations for a sample of customers and transactions. Lastly, we reviewed the adequacy of the disclosure provided in the notes to the consolidated financial statements with regards to the revenue recognition process.
Regulatory disputes	
As of December 31, 2021, TIM Group is involved in several regulatory disputes in progress, many of which are characterized by significant counterparty requests.	Our audit procedures in response to the key audit matter included, among others: ► an understanding of the process put in place by Management for assessing disputes,

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The main disputes concern (i) the 28-day billing proceeding, in which AGCOM ordered TIM to reimburse customers for unused service days, (ii) the I820 proceeding, started by AGCM against TIM and other telco operators, to ascertain a possible conduct restricting market competition and (iii) the A514, and the related "follow-on" proposed by some other OLOs, procedure in which the AGCM charged TIM with conduct aimed at hindering the entry on the market of a new operator. The assessment of the disputes was carried out by Management, as of 31 December 2021, based on the opinion of the external lawyers, as well as considering the latest information available. The estimation of the risks connected to the disputes in which the Group is involved, requires a high degree of judgment by the management and, also considering the complexity of the regulatory framework, we considered this area a key audit matter. Disclosures related to the assessment of the risks relating to the regulatory disputes in which the Group is involved is reported in note 24 "Disputes and pending legal actions, other information, commitments and guarantees".	accompanied by test of the effectiveness of the internal controls relevant for this process; ► inquiries with Management regarding the main assumptions made in connection with disputes; ► the analysis of the legal opinions prepared by external consultants, based on which Management has based its assessments; ► the analysis of the responses received from external lawyers following our external confirmations procedures. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the disputes in which the Group is involved, based on their compliance with the international accounting standards and their consistency with the results of our audit procedures.
Fiscal disputes in Brazil	
As of December 31, 2021, the TIM Group is involved in several disputes with the Brazilian tax authorities. The maximum potential liability associated with these disputes, as at December 31, 2021, amounts to Euro 2,583. With reference to this potential liability, the Group recognized a provision of Euro 68 million with regards to the risks deemed probable. The assessment of the risk related to the tax disputes in Brazil in which the Group is involved, requires a high degree of judgment by the Management and, also considering the significance of the amounts involved, we considered it to be a key audit matter. Disclosures related to the assessment of the	Our audit procedures in response to the key audit matter included, among others: ► an understanding of the process put in place by Management for assessing disputes, accompanied by test of the effectiveness of the controls relevant for this process; ► inquiries with Management regarding the main assumptions made in connection with disputes; ► the analysis of the legal opinions prepared by external consultants, based on which Management has based its assessments; ► the analysis of the responses to our external confirmations procedures received from external lawyers, also with the involvement

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risks relating to the fiscal disputes in which the Group is involved is reported in note 24 "Disputes and pending legal actions, other information, commitments and guarantees".	of our experts in tax disputes. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the disputes in which the Group is involved, based on their compliance with the international accounting standards and their consistency with the results of our audit procedures.
Recoverability of deferred tax assets	
As of December 31, 2021, deferred tax assets amount, net of impairment, to Euro 3,513 million in the consolidated financial statements. The recoverability analysis of the deferred tax assets performed as of December 31, 2021, led to an impairment loss of Euro 3,825. Deferred tax assets refer to the temporary deductible differences between the book and fiscal values of assets and liabilities in the financial statements. The recoverability of the carrying amount of the deferred tax assets is subject to management's evaluation and is based on the estimations of the future taxable income expected in the years in which them will be reversed. The processes and methodologies used to evaluate and determine the recoverable amount of these assets, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the consistency of the forecasts of future taxable income expected by the Group with those included in the business plan. Considering the level of judgment required and the complexity of the assumptions applied in estimating future taxable amount used to determine the recoverability of the deferred tax assets, we considered this area a key audit matter. Disclosures related to the assessment of recoverability of deferred tax assets are reported in note 2 "Accounting policies" in the paragraphs "Income tax expense (current and	Our audit procedures in response to the key audit matter included, among others: ► the assessment of the reasonableness of the assumptions underlying the estimation of future taxable income and the reconciliation with the figures included in the Group's business plan, taking into account the regulatory changes that took place during 2021 ; ► the assessment of the reasonableness of the accuracy of the forecasts compared with the prior periods; ► the assessment of the Management calculations. Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regards to the recoverability of deferred tax assets.

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deferred)" and "Use of estimates" and in note 11 "Income tax expense (current and deferred)".

Sale of 51% equity interest in I-System

On November 16, 2021, the Group sold the 51% of its equity interest held in I-System, generating a gain of Euro 119 million, which was measured as the difference between the fair value of the consideration received and the carrying value of the net assets of I-System. The determination of the carrying value of the net assets of I-System involved identifying and measuring the assets, the liabilities and the goodwill allocated to I-System as of the closing date of the transaction.

Considering the level of judgment required in defining the portion of the Brazil CGU Goodwill to be allocated to I-System and in determining the accounting analysis and the implications of the loss of control, we considered this area a key audit matter.

Disclosures related to the transaction are reported in note 8 "Investments".

Our audit procedures in response to the key audit matter included, among others:

- an understanding of the process put in place by Management for selling I-System, accompanied by tests of the effectiveness of the controls relevant for this process;
- the analysis of the transaction agreement;
- the analysis of the accuracy of the gain resulting from the transaction;
- the analysis of key inputs, data and assumptions used by Management to determine the allocation of goodwill to I-System;
- the assessment of the Management's application of the criteria for the loss of control by evaluating contrary evidence;
- the analysis of the Management´s assessment of the master service agreement under an IFRS 16 perspective.

In performing our analysis, we involved our tax experts to evaluate the tax impacts of the transaction.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial

statements on a going concern basis unless they either intend to liquidate the Parent Company TIM S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as

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required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of TIM S.p.A., in the general meeting held on March 29, 2019, engaged us to perform the audits of the separate and consolidated financial statements for each of the years ending December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of TIM S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML and have been marked-up, in all material aspects format in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of TIM S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of TIM Group as at December 31, 2021,

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including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of TIM Group] as at December 31 ,2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of TIM Group as at December 31, 2021, and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of TIM S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Turin, March 16, 2022

EY S.p.A.
Signed by: Ettore Abate, Auditor

This report, that includes the opinion on the consolidated financial statements of EIP S.p.A. and the opinion on the TIM S.p.A.'s compliance with other legal and regulatory requirements as applicable to our audit, has been translated into the English language solely for the convenience of international readers. Accordingly, we express no such opinions in respect of the English translation of the consolidated financial statements of TIM S.p.A. and XHTML format thereof.

NETCO
COMBINED CARVE OUT FINANCIAL INFORMATION AS AT DECEMBER 31, 2023 AND 2022

COMBINED CARVE OUT STATEMENTS OF FINANCIAL POSITION

(million euros)		Notes	12/31/2023	12/31/2022
Non-current assets				
Goodwill		3)	—	—
Intangible assets with a finite useful life		3)	239	241
Property, plant and equipment owned		4)	9,720	9,252
Rights of use assets		5)	2,537	2,394
Other non-current assets			—	—
Other non-current financial assets			80	19
Miscellaneous receivables and other non-current assets		6)	525	541
Deferred tax assets		7)	65	50
Total Non-current assets	**(a)**		**13,166**	**12,497**
Current assets				
Inventories		8)	43	32
Trade and miscellaneous receivables and other current assets		9)	866	774
Current financial assets			276	116
Total Current assets	**(b)**		**1,185**	**922**
Total Assets	**(a+b)**		**14,351**	**13,419**

(million euros)		Notes	12/31/2023	12/31/2022
Non-current liabilities				
Non-current financial liabilities for financing contracts and others		10)	3,571	3,023
Non-current financial liabilities for lease contracts		10)	2,075	1,910
Employee benefits		12)	305	317
Deferred tax liabilities		7)	20	17
Provisions		13)	223	219
Miscellaneous payables and other non-current liabilities		14)	582	575
Total Non-current liabilities	**(c)**		**6,776**	**6,061**
Current liabilities				
Current financial liabilities for financing contracts and others		10)	13	55
Current financial liabilities for lease contracts		10)	253	301
Trade and miscellaneous payables and other current liabilities		15)	1,951	1,676
Income tax payables			2	11
Total Current Liabilities	**(d)**		**2,219**	**2,043**
Total Liabilities	**(e=c+d)**		**8,995**	**8,104**
Invested capital	**(f)**		**5,356**	**5,315**
Total Liabilities and Invested capital	**(e+f)**		**14,351**	**13,419**

COMBINED CARVE OUT INCOME STATEMENT

(million euros)	*Notes*	Year 2023	Year 2022
Revenues	16)	**2,119**	**1,896**
Other income	17)	92	99
Total operating revenues and other income		**2,211**	**1,995**
Acquisition of goods and services	18)	(833)	(826)
Employee benefits expenses	19)	(1,041)	(1,056)
Other operating expenses	20)	(99)	(95)
Change in inventories		20	10
Internally generated assets		204	217
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**462**	**245**
Depreciation and amortization	3-4-5)	(1,573)	(1,535)
Gains (losses) on disposals of non-current assets		—	—
Operating profit (loss) (EBIT)		**(1,111)**	**(1,290)**
Other income (expenses) from investments		—	—
Finance income	21)	4	—
Finance expenses	21)	(340)	(239)
Profit (loss) before tax		**(1,447)**	**(1,529)**
Income tax expense	7)	(164)	(182)
Profit (loss) for the year		**(1,611)**	**(1,711)**

NOTE 1
GENERAL INFORMATION

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

On November 3, 4 and 5, 2023, the Board of Directors of TIM S.p.A., at the outcome of an extensive and thorough examination, conducted with the assistance of leading financial and legal advisors, examined and accepted the binding offer submitted on October 16, 2023 by Kohlberg Kravis Roberts & Co. L.P. ("**KKR**") for the acquisition of TIM's fixed network assets (the so-called "**NetCo**" perimeter and hereinafter also referred as the "**NetCo business**"), by Optics BidCo (a subsidiary of KKR and with additional investor Azure Vista, a wholly owned subsidiary of Abu Dhabi Investment Authority).

In execution of the resolutions adopted, TIM S.p.A. signed the Transaction Agreement ("**TA**") relating to NetCo with Optics BidCo which regulates the followings steps (collectively "**The Transaction**"):

- the contribution by TIM S.p.A. of a business unit - consisting of activities relating to the primary network, wholesale activity and the entire shareholding in the subsidiary Telenergia S.r.l. - in FiberCop S.p.A., a company that already manages the activities relating to the network secondary fiber and copper, and
- the simultaneous purchase by Optics Bidco of the entire shareholding held by TIM S.p.A. in FiberCop S.p.A. itself, following the aforementioned transfer (FiberCop post transfer of the business unit).

The transaction agreement provides that on the closing date a Master Services Agreement ("**MSA**") will be signed which will regulate the terms and conditions of the services that will be provided by NetCo to TIM S.p.A. following the completion of the transaction, which effects have not been reflected in the present document.

The completion of the transaction is expected in the summer of 2024, once the preliminary activities have been completed and the conditions precedent have been satisfied (completion of the transfer of the primary network, Antitrust authorization, authorization regarding distortive foreign subsidies); the Golden Power authorization was received, as per the press release issued on January 17, 2024.

For the purpose of completing the transaction, this special purpose combined financial statements (the combined carve out financial information) has been prepared for the purpose of preparing the documentation to be included in the Exchange Offering Memorandum. The historical data have been extracted from the audited general purpose financial statements of the TIM Group for the years ended 31 December 2023 and 2022.

It should be noted that:

- up to the effective date of the Transaction, NetCo never operated independently as a separate entity;
- it does not constitute an operating segment within the TIM Group pursuant to IFRS 8 - Operating segments;
- the carve-out entity includes only the business that will form the basis for the Transaction, as agreed between the parties, which may differ from the activities that were part of the business in the periods presented;
- revenues, other than those from third parties, cannot be identified separately in the overall revenue of the TIM Group;
- some categories of historical costs could have been identified only on the basis of various and complex assumptions which would have rendered the calculation difficult and highly subjective;
- the financial information presented are not representative of how NetCo would have performed had it operated as a separate entity and are not indicative of NetCo's future performance.

The NetCo Combined Carve-out Financial Information do not reflect the impact of any changes to the income statements and statement of financial position that might occur as a result of purchase accounting adjustments to be applied as a result of the Transaction by the acquiring entity.

The combined statement of cash flow, the combined statement of changes in net invested capital and the combined statement of comprehensive income have not been prepared because are not suitable to provide any useful information to the users of the present document considering the purpose of this financial information as described below.

NetCo business overview

NetCo's business spans a comprehensive range of activities over its fixed-line network, leveraging broadband and ultrabroadband technologies. NetCo offers connectivity services (for voice and data related services) to telecommunications operators, develops fiber optic networks for wholesale clients and provides active access services and associated equipment to its primary and secondary networks. In addition to these services, NetCo manages the maintenance and repair of its fixed-line network infrastructure and the care of related offices and buildings, as well as the provision of network engineering functions.

NetCo's network infrastructure consists of two main components: the backbone and the access networks. The backbone consists mainly of optical fibers and transport nodes. The access network is split in two sections, primary and secondary access networks, and consists of copper cables, optical cables and access nodes.

NetCo is expected to generate certain revenues and incur certain costs following the Transactions (or when run as an independent business), including but not limited to the following:

- **Revenues from public administrations** related to the access point, for both regulated and non-regulated wholesale services;
- **Revenues from other OLOs** mainly related to access rental, delivery & activation services for traditional and advanced connectivity, ordinary repair and maintenance of fixed network, network related office, interconnection costs related to traditional voices;
- **Revenues from TIM Domestic ServCo**[1] mainly related to access rental, delivery & activation services for traditional and advanced connectivity, ordinary repair and maintenance of fixed network, network related office, office building and energy consumption, network engineering, interconnection costs related to traditional voices, based on the conditions set in the Master Services Agreement - MSA whose impacts are not reflected in the present document;
- **Costs** related to both fiber and copper network activation and maintenance activities, ultrabroadband circuit expansion and maintenance activities, infrastructure maintenance;
- **Costs towards TIM Domestic ServCo** related to the use and hosting in data centers, security services and ICT services, based on the conditions set in the MSA whose impacts are not reflected in the present document.

Financial information formats

The financial information formats adopted are consistent with those indicated in IAS 1. In particular:

- the Carve Out **Combined Statements of Financial Position** have been prepared by classifying assets and liabilities according to the "current and non-current" criterion;
- the Carve Out **Separate Combined Income Statement** has been prepared by classifying operating costs by nature of expense.

NOTE 2

SUMMARY OF THE CARVE OUT CRITERIA AND ACCOUNTING POLICIES ADOPTED FOR THE PREPARATION OF THE FINANCIAL INFORMATION

Basis for preparation

The NetCo combined carve out financial information for the year 2023 and 2022 have been prepared on a going concern basis.

The NetCo combined carve out financial information have been extracted from the 2023 and 2022 TIM Group Consolidated Financial Statements which were prepared in accordance with the International Accounting Standards, meaning all applicable "International Financial Reporting Standard", all applicable "International Accounting Standard" (IAS), all applicable interpretations of the "International Financial Reporting Interpretations Committe" (IFRIC), previously called "Standing Interpretations Committe" (SIC) which were subject to approval by the European Union pursuant to the procedure set out in Regulation (EC) no. 1606/2002 of the European Parliament and of the European Council of July 19, 2002 (hereinafter "**IFRS**"), and with the application of the specific carve-out criteria illustrated below.

The carve-out entity includes only the business that will form the basis for the Transaction, as part of the Transaction Agreement agreed between the parties, including an allocation of TIM's indirect structure costs. In particular, the elements of the statement of financial position, as well as the revenues and costs have been allocated, where possible and applicable, using the various methodologies detailed below.

As a result the carve-out entity may differ from the activities that were part of the business in the periods presented and therefore these carve-out financial statements are not general purpose and may not be suitable for another purpose.

This document includes the combined income statements and statement of financial position and the accompanying notes thereto of NetCo as of and for the year ended December 31, 2023, including comparative figures as of and for the year ended December 31, 2022 (the "**NetCo Combined carve out Financial Information**"), which have been prepared using the recognition and measurement criteria set forth in the accounting standards applied in preparing the 2023 TIM Group Consolidated Financial Statements.

The combined statement of cash flow, the combined statement of changes in net invested capital and the combined statement of comprehensive income have not been prepared because are not suitable to provide any useful information to the users of the present document considering the purpose of this financial information as described above.

[1] TIM Domestic ServCo includes the Domestic perimeter of TIM Group after the reorganization process, focused on commercial activities in Enterprise market and fixed and mobile commercial activities in Consumer and Small and Medium Business retail market.

The NetCo combined carve out financial information were prepared in euros, which is the currency of the prevailing economic environment in which the business is conducted. All amounts included in this document are presented in millions of euros, unless otherwise indicated.

The NetCo combined carve out financial information consist of:

- The business constituted by activities relating to TIM's fixed primary network (hereinafter "NetCo ramo carve out", or "NetCo Business")
- FiberCop S.p.A.
- Telenergia S.r.l.

Allocation criteria for the combined carve out financial information

The preparation of the NetCo ramo carve out financial information (i.e., the TIM fixed primary network), used for the purpose of the NetCo combined carve out financial information, required the use of certain allocation criteria as described below.

Financial information related to FiberCop S.p.A. and Telenergia S.r.l. were extracted from the historical financial information prepared by these entities for their inclusion in the consolidated financial statements of TIM Group; consequently, no allocation criteria were necessary.

Combined carve out Statement of Financial Position

As aforementioned, for the purpose of the NetCo combined carve outStatement of Financial Position, the financial figures related to FiberCop S.p.A. and Telenergia S.r.l. were the respective historical individual financial information, while for the NetCo ramo carve out financial information, the assets and liabilities included in the combined carve out financial information as of December 31, 2023 and 2022 were attributed to the NetCo perimeter based on the following criteria:

- assets and liabilities directly attributable to the NetCo perimeter were identified based on their nature, asset class and technical analysis (e.g. fixed assets related to the primary network, employee liabilities related to personnel employed and fully dedicated to the primary network business),
- assets and liabilities not directly attributable to the NetCo perimeter were allocated by using allocation drivers.

With specific reference to the assets and liabilities not directly attributable, the main allocation driver was the Full Time Equivalent ("**FTE**") contributed to the perimeter, except for mixed-use software that were allocated by using a percentage estimated by TIM engineering department.

In more details, with specific reference to the NetCo ramo carve out financial information included in the NetCo combined carve out financial information, the following allocation criteria have been adopted:

- **Goodwill:** for the purpose of the preparation of NetCo combined carve out financial information, no Goodwill has been allocated to the carve-out business. The NetCo combined carve out financial information does not consider any allocation of goodwill on NetCo and any adjustment as resulting from the purchase accounting process to be applied by the acquiring entity as a consequence of the Transaction;
- **PP&E and intangible assets**: this class of assets includes mainly primary network (copper and fiber), underground and submarine cables, all real estate assets except for data centers, patents and intellectual property rights; such assets have been allocated primarily with a line-by-line direct allocation for the items 100% referable to the NetCo business based on the asset class or through a specific technical analysis, while a portion of such assets has been allocated based on the following drivers: FTE contributed to the perimeter and, for mixed-use software only, a percentage estimated by TIM engineering department;
- **Rights-of-Use assets**: this class of assets is the result of an allocation made primarily on a with a line-by-line basis (direct allocation) for the items 100% referable to the primary network business (mainly lands, buildings and software); for rights-of-use related to vehicles, the allocation has been made based on the FTE contributed to the perimeter;
- **Inventories**: the allocation has been made considering the nature of the technical equipment dedicated and used to conduct the infrastructure transferred to the perimeter (i.e., direct allocation without using any driver);
- **Trade receivables and Trade payables**: the allocation is based on the nature of such receivables/payables (e.g. wholesale business), with the exclusion of certain items as defined within the Transaction Agreement (i.e., trade receivables overdue by more than 365 days, including their related credit notes and bad debt provision and trade payables overdue by more than 365 days that involve suppliers who are also customers having overdue receivables by more than 365 days); VAT payables and receivables were not considered; bad debt provision has been allocated consistently with the allocation of the related trade receivables;
- **Other assets and liabilities**: the allocation is based on the nature of such assets/liabilities (e.g. deferred activation costs and deferred revenues related to the perimeter);
- **Provisions**: as defined within the Transaction Agreement, only the provision related to the asset retirement obligation has been allocated and includes the present value of the expected costs of dismantling/ restoring the premises that are part of the perimeter. Based on definition agreed in the Transaction Agreement, certain provisions have been excluded from the carve-out perimeter although related to the NetCo business. Those items include in particular some personnel provision, some provision accrual, some bad debt provision;
- **Provisions for employee benefits**: it has been allocated primarily based on FTE dedicated to the perimeter;

- **Deferred tax assets and liabilities**: the allocation has been based on the assets/liabilities included in the carve-out perimeter, except for DTA of Telenergia relate to losses carried forward that have been excluded from the perimeter according to the TA's definition.

The NetCo combined carve out financial information does not include costs and payables related to the employees terminated in past years, including 2022 and 2023, as a result of the restructuring plans. Also, the NetCo combined carve out financial information does not include any amounts related to the advance payments received by the TIM Group at the end of 2023, related to NRRP within the framework of the tenders for the Italia 1 Giga Plan and the Italia 5G Backhauling Plan nor any guarantees required to be issued in case of advance payments attributable in relation to those tenders.

The Carve-out Financial Statements of the NetCo business are prepared on a carve-out basis from financial information of the Parent. All amounts presented relate to companies or the relevant portions of companies which are directly or indirectly controlled by the Parent; all intercompany accounts within the NetCo business and transactions within the NetCo business are eliminated.

For the purpose of the preparation of NetCo combined carve out financial information, no financial liabilities for financing contracts and others have been allocated to the NetCo business, except for the portion related to the right of used assets allocated to the NetCo business, accounted in accordance with IFRS16.

The "Invested Capital" of the NetCo business represents the net Investment of the Parent in the business. The Parent's historical retained earnings and accumulated other comprehensive income related to the NetCo business are included within "Invested capital" as separate presentation would not be meaningful.

Combined carve out Income Statement

As aforementioned, for the purpose of the NetCo combined carve outIncome Statement, the financial figures related to FiberCop S.p.A. and Telenergia S.r.l. were the respective historical individual financial information prepared for their inclusion in the consolidated financial statements of the TIM Group, while for the NetCo ramo carve out financial information, the profit and loss captions included in the combined carve out financial information as at December 31, 2023 and 2022 were attributed to the NetCo perimeter based on certain criteria described below:

- **Revenues**: revenues from other licensed operators (OLOs) can be identified separately in the overall revenues of TIM and, therefore, the determination of the amount attributable to the NetCo ramo carve out did not entail the use of any allocation criteria. As such, revenues related to the NetCo ramo carve out refer to wholesale revenues from access to copper and fiber network towards OLOs. Revenues other than those from OLOs cannot be allocated since the current contracts in place with customers do not explicitly distinguish the portion related to or attributable to the network access, delivery & activation services for traditional and advanced connectivity, ordinary repair and maintenance of fixed network, energy consumption, network engineering and interconnection costs related to traditional voice services. Therefore, the revenues associated with the activities carried out by the NetCo perimeter for the years 2022 and 2023 have not been presented for the purposes of preparing the combined carve out financial information.

- **Costs**: costs for the purchase of materials and services, employee benefits expenses and other operating costs that can be promptly identified and directly attributable to the NetCo perimeter have been included in the combined carve out financial information without the use of any driver/allocation criteria; however, in circumstances where an allocation parameter was deemed more appropriate, the FTE contributed to the NetCo perimeter has been used as driver.

- **Depreciation and amortization**: the allocation has been made consistently with the criteria set out for PP&E and Intangible assets.

- **Internally generated assets**: these items were derived on the basis of the relevant internally generated asset class allocated to the perimeter.

- **Income taxes**: the NetCo ramo carve out shows a net loss for both years 2023 and 2022 and as such no current and deferred taxes have been recognized.

Below is the detail of the allocations through drivers on Income Statements. Please note that such allocations enterely refer to NetCo ramo carve out.

Profit & Loss NetCo Carve out by allocation				
	FY 2023		FY 2022	
(million euros)	NetCo Combined	*of which Driver-allocated*	NetCo Combined	*of which Driver-allocated*
Revenues	2,119	43	1,896	38
Other income	92	10	99	6
Total operating revenues and other	**2,211**	**53**	**1,995**	**44**
Acquisition of goods and services	(833)	(104)	(826)	(113)
Employee benefit expenses	(1,041)	—	(1,056)	(2)
Internally generated assets	204	—	217	—
Other expenses	(79)	(31)	(85)	(29)
EBITDA	**462**	**(82)**	**245**	**(100)**
Depreciation and amortization	(1,573)	(12)	(1,535)	(13)
EBIT	**(1,111)**	**(94)**	**(1,290)**	**(113)**

Net financial charges and income taxes were directly allocated without using any drivers.

The allocations through drivers on Balance sheets refer to tangible assets for 24 million euros in 2023 and 25 million euros in 2022 (on a total amount of approximately of 9,720 million euros in 2023 and 9,252 million euros in 2022) and are related to NetCo ramo carve out.

Accounting policies for the combined carve out financial information

Intangible assets

Goodwill

In accordance with IFRS 3 (Business Combinations), goodwill will be recognized in the NetCo combined carve out financial information at the acquisition date (including through mergers or contributions) of companies or business units and will be calculated as the difference between the consideration paid (measured in accordance with IFRS 3, generally determined on the basis of the fair value at the acquisition date) and the fair value at the acquisition date of the identifiable assets acquired net of the identifiable liabilities assumed.

As mentioned above, for the purpose of the preparation of NetCo combined carve out financial information, no Goodwill has been allocated to the carve out business. The NetCo combined carve out financial information does not consider any allocation of goodwill on NetCo and any adjustment as resulting from the purchase accounting process to be applied by the acquiring entity as a consequence of the Transaction. The exercise to determine the fair value of the net assets acquired will be carried out only after the Acquisition Closing Date.

Development costs

Costs incurred internally for the development of new products and services represent either intangible assets (mainly costs for software development) or tangible assets. These costs are capitalized only when all the following conditions are satisfied: i) the cost attributable to the development phase of the asset can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to complete the asset and make it available for use or sale, and iii) it can be demonstrated that the asset will be able to generate future economic benefits. Capitalized development costs comprise only incurred expenditures that can be attributed directly to the development process for new products and services.

Capitalized development costs are depreciated/amortized systematically over the estimated product or service life, so that the depreciation/amortization method reflects the way in which the asset's future economic benefits are expected to be consumed by the entity.

Other intangible assets with a finite useful life

Other purchased or internally-generated intangible assets with a finite useful life are recognized as assets, in accordance with IAS 38 (Intangible Assets), when the use of the asset is likely to generate future economic benefits and when the cost of the asset can be reliably measured.

Such assets are recorded at purchase or production cost and amortized on a straight-line basis over their estimated useful lives; the amortization rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate combined income statement.

Tangible assets

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property, plant and equipment. All other expenditures are recognized in the separate combined income statement as incurred.

The cost of these assets also includes the expected costs of dismantling the asset and restoring the site, if a legal or constructive obligation exists. The corresponding liability is recognized at its present value in a provision for risks and charges in the liabilities. The recognition in the separate combined income statement of the capitalized expenditure is done over the useful life of the related tangible assets through their depreciation.

The calculation of estimates for dismantling costs, discount rates and the dates in which such costs are expected to be incurred is reviewed annually at each financial year-end. Changes in the above liability must be recognized as an increase or decrease of the cost of the related asset; the amount deducted from the cost of the asset must not exceed its carrying amount. The excess, if any, is recorded immediately in the separate combined income statement, conventionally under the line item "Depreciation and Amortization".

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effect of such changes is recognized prospectively in the separate combined income statement.

Land, including land pertaining to buildings, is not depreciated.

Rights of use assets

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.

On the commencement date of the lease, the right of use is recognized at cost including: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, initial direct costs incurred for the signature of the lease and the present value of the estimated restoration and dismantling costs set out in the lease, less any incentives.

Subsequently, the right of use is amortized over the term of the lease (or the useful life of the asset, if lower), subject to impairment and adjusted for any remeasurement of the lease liability.

Consistent with TIM Group accounting policies, NetCo has attracted, under the scope of application of IFRS 16, if the criteria and the requirements laid down by the standard are met, the contract concerning the spectrum of transmission frequencies on optic fiber carriers. This approach is functional to the very innovative specificity of these types of contract, concerning hardware infrastructure and optical transmission.

Capitalized borrowing costs

Under IAS 23 (*Borrowing Costs*), NetCo capitalizes borrowing costs only if they are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time (conventionally more than 12 months) to get ready for its intended use or sale.

Capitalized borrowing costs are recorded in the separate combined income statement and deducted directly from the "finance expenses" line item to which they relate.

Impairment of intangible, tangible and rights of use assets

Tangible and intangible assets with finite useful lives and rights of use assets

At the end of each reporting period, NetCo assesses whether there is any indication that an asset – whether intangible or tangible with finite useful lives or a right of use – may be impaired. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical deterioration, and significant changes in the use of the asset and the operating performance of the asset compared to estimated performance. External sources include the market value of the asset, any changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments.

If there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired, then its carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or right. If it is not possible to estimate the recoverable amount, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate combined income statement.

When the reasons for the impairment subsequently cease to exist, the carrying value of the asset/right-of-use or of the cash generating unit is increased up to the new estimate of the recoverable amount which, however, cannot exceed the amount that would have been determined had no impairment loss been recognized. The reversal of an impairment loss is recognized as income in the separate combined income statement.

Financial instruments

Cash and cash equivalents

Cash and cash equivalents are recorded, according to their nature, at nominal value or amortized cost.

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value and their original maturity or the remaining maturity at the date of purchase does not exceed 3 months.

Impairment of financial assets

At every closing date, assessments are made as to whether there is any objective evidence that a financial asset or a group of financial assets has been impaired.

The impairment of financial assets is based on the expected credit loss model.

In particular, impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on assignments of receivables where the assignment does not transfer substantially all the risks and rewards, as well as other financial liabilities, and liabilities in respect of assets recognized under finance leases recognized in accordance with IFRS 16.

In accordance with IFRS 9, they also include trade and other payables.

Reverse factoring transactions are also classified under trade payables. NetCo has reverse factoring agreements in place through which it gives its bank partners a mandate to pay its suppliers as invoices become due. Suppliers participating in these programs have the rights to sell (without any cost for NetCo) receivables

due from NetCo. They can exercise this right at their total discretion and incurring all the costs to benefit from collection before the contractual due date.

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

Transfer of receivables

NetCo transfers receivables through factoring and securitization agreements. These transfers, in the majority of cases, are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, therefore meeting the requirements of IFRS 9 for derecognition. Special service agreements, under which the purchasers grant NetCo a mandate to oversee the collection and management of receivables, have been entered into to maintain the relationship between NetCo and its customers.

Inventories

Inventories are measured at the lower of purchase or production cost and estimated realizable value; the cost is determined using the weighted average cost formula for each movement, while the estimated realizable value is determined by observing general prices at the end of the year. Provision is made for obsolete and slow-moving inventories based on their expected future use and estimated realizable value.

Employee benefits

Provision for employee severance indemnity

Employee severance indemnity, mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is deferred compensation based on the employee's years of service and on the compensation earned by the employee during the service period.

Under IAS 19 (Employee Benefits), the employee severance indemnity as calculated is considered a "Defined benefit plan" and the related liability recognized in the statement of financial position (Provision for employee severance indemnities) is determined by actuarial calculations.

The remeasurements of actuarial gains and losses are recognized in other components of the Statements of Comprehensive income. Service cost of Italian companies that employ less than 50 employees, as well as interest expenses related to the "time value" component of the actuarial calculations (the latter classified as Finance expenses), are recognized in the separate combined income statement.

Starting from January 1, 2007, the Italian Law gave employees the choice to either allocate their accruing indemnity to supplementary pension funds or it as an obligation of NetCo. Companies that employ at least 50 employees must transfer the employee severance indemnity to the "Treasury fund" managed by INPS, the Italian Social Security Institute. Consequently, the Group's obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19, of "Defined contribution plans".

Provisions

NetCo records provisions for risks and charges when, having a current legal or constructive obligation to a third party, as a result of a past event, an outflow of NetCo resources is likely to be required to meet that obligation, and when the amount of the obligation can be estimated reliably. Provisions for risks and charges also include those established in the event that the company should stipulate contracts that thereafter became onerous, the non-discretionary costs of which necessary to fulfill the commitments made, exceeding the economic benefits expected from such contracts.

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and that NetCo will satisfy all the conditions established for their granting by the government, government agencies and equivalent local, national or international entities.

Government grants are systematically recognized in the separate income statements over the periods in which NetCo recognizes the expenses that the grants are intended to offset as costs.

Government grants related to assets received for the acquisition and/or construction of non-current tangible assets are recorded as deferred income in the statement of financial position and systematically credited to the separate income statements over the useful life of the systems the grants relate to.

Revenues

Taking into account the contents of section "Allocation criteria for the combined carve out financial information" in relation to the failure to measure activities carried out in favor of TIM in the years 2023 and 2022, revenues are the gross inflows of economic benefits during the period arising in the course of the ordinary activities.

Amounts collected on behalf of third parties, such as sales taxes, goods and services taxes and value added taxes, are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenues.

The process underlying the recognition of revenues follows the steps set out in IFRS 15:

- **identification of the contract**: this takes place when the parties approve the contract (with commercial substance) and identify the respective rights and obligations: in other terms, the contract must be legally binding, the rights to receive goods and/or services and the terms of payment can be clearly identified, and NetCo considers receipt of payment as probable;

- **identification of the performance obligations**: the main performance obligations identified, i.e. promises to transfer goods and services that are distinct, are services rendered to wholesale customers;
- **determination of the transaction price**: this is the total amount contracted with the other party regarding the entire contractual term; NetCo has determined that the contractual term is the one arising from the contractual obligations between the parties or, in lack of these obligations, it is by convention one month;
- **allocation of the transaction price to the performance obligations**: the allocation is made proportionately to the respective stand-alone selling prices calculated based on the list prices (if present) or estimated by applying an appropriate margin to the cost of purchase/production of the good/service.
- **recognition of revenues**: revenues are stated net of discounts, allowances, and returns in connection with the characteristics of the type of revenue. Revenues from services rendered are recognized in the separate income statements according to the stage of completion of the service, that is based on actual consumption. Traffic revenues from interconnection are reported gross of the amounts due to other TLC operators. Revenues for services rendered to wholesale customers are generally invoiced on a monthly basis and due 60 days after the date of issue.

  The recognition of revenues can generate the recognition of an asset or liability deriving from contracts. In particular:

  - Contract assets are the right to a consideration in exchange for goods or services that have been transferred to the customer, when the right is conditioned on something other than the passage of time;
  - Contract liabilities are the obligation to transfer goods or services to the customer for which the Group has received (or for which it is due) a consideration from the customer.

Contract costs (incremental costs of obtaining a contract and costs to fulfill a contract; mainly technical activation costs and costs for sales network commissions) are deferred and recognized through separate combined income statement depending on the expected term of the contractual relationship with the customers. The TIM Group avails of the practical expedient, permitted under IFRS 15, of recognizing the incremental costs of obtaining a contract in the combined income statement if the amortization period is one year or less.

The recoverability of contract assets and deferred costs is periodically assessed.

Research and advertising costs

Research and advertising costs are directly expensed to the separate combined income statement in the year in which they are incurred.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include: interest accrued on the related financial assets and liabilities using the effective interest rate method; changes in the fair value of other financial instruments measured at fair value through the income statement.

Income tax expense (current and deferred)

Income tax expense includes all taxes calculated on the basis of the taxable income of FiberCop S.p.A. and Telenergia S.r.l., while for NetCo ramo carve out, tax expenses are nil considering that the theoretical taxable basis is negative for both years 2022 and 2023.

Deferred tax liabilities/assets are recognized using the "Balance sheet liability method". They are calculated on all the temporary differences that arise between the taxable base of assets and liabilities and the related carrying amounts in the combined financial information.

Tax assets and liabilities are offset, separately for current and deferred taxes, when income tax expense is levied by the same tax authority and when there is a legally enforceable offsetting right. Tax assets and deferred tax liabilities are determined by adopting the tax rates expected to be applicable in the respective jurisdictions of the countries in which the Group companies operate, in the years in which those temporary differences are expected to be recovered or settled.

The other taxes not related to income are included in "Other operating expenses".

Related Parties

Related parties are identified on the basis of the provisions of IAS 24 and mean those that share the same controlling entity with the Netco business, companies that directly or indirectly control it, are controlled, or are subject to joint control by the Netco business and those in which it holds a stake that can exercise a significant influence. The definition of related parties also includes the members of the controlling entity's Board of Directors and managers with strategic responsibilities. Managers with strategic responsibilities are those who have the power and responsibility to plan and control the Netco business' activities, directly or indirectly.

Use of accounting estimates

The preparation of NetCo combined carve out financial information and related notes requires management to make estimates and assumptions based also on subjective judgments, past experience and assumptions considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as on the amount of revenues and costs during the year. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.The following accounting estimates are the same as those used in the TIM Group Consolidated Financial Statements.

The most significant accounting estimates that involve a high level of subjective assumptions and judgments by management are set out below.

Financial statements area	**Accounting estimates**
Impairment of tangible and intangible assets with finite useful lives and rights of use assets	At the end of each reporting period, management assesses whether there is any indication that an asset – whether tangible or intangible with finite useful lives or a right of use – has been impaired. Both internal and external sources of information are used for this purpose. Identifying the impairment indicators, estimating future cash flows and calculating the fair value of each asset requires the Management to make significant estimates and assumptions in calculating the discount rate to be used, and the useful life and residual value of the assets. The estimate of expected cash flows took into account the risks arising from climate change, which at present do not have a significant impact on the NetCo's business model. These estimates can have a significant impact on the fair value of the assets and on the amount of any impairment write-down.
Lease liabilities and rights of use assets	The value of lease liabilities and corresponding rights of use is determined by calculating the present value of the lease payments, also bearing in mind whether the renewal of the lease is reasonably certain.
Capitalization/deferment of costs	The capitalization/deferment of internal and external costs is a process that entails elements of estimation and valuation. Specifically, it involves the valuation of: i) the likelihood that capitalized costs will be recovered through correlated future revenues; and ii) the effective increase in the future economic benefits embodied in the related asset.
Provision for bad debts	Impairment on trade receivables and on contract assets is carried out using the simplified approach that involves estimating the loss expected over the life of the receivable at the time of initial recognition and on subsequent measurements. For each customer segment, the estimate is principally made by calculating the average expected uncollectibility, based on historical and statistical indicators, possibly adjusted using forward-looking elements. For some categories of receivables characterized by specific risk elements, specific measurements are made on individual credit positions.
Depreciation and amortization	Changes in the economic conditions of the markets, technology and competitive forces could significantly affect the estimated useful lives of tangible and intangible non-current assets and may lead to a difference in the timing, and thus on the amount of depreciation and amortization expense.
Provisions, contingent liabilities and employee benefits	As regards the provisions for restoration costs, the estimate of future costs to dismantle tangible assets and restore the site is a complex process that requires the valuation of the liabilities arising from such dismantling and restoration obligations, which seldom are entirely defined by laws, administrative regulations or contract clauses, and which normally are to be complied with after an interval of several years. Provisions for employee benefits, especially the provision for employee severance indemnities, are calculated using actuarial assumptions; changes in such assumptions could have a material impact on such liabilities.
Revenues	The recognition of revenues is influenced by estimates of the amount of discounts, rebates and returns to be reported as a direct adjustment to revenues, as well as the methods for defining individual product or service stand-alone selling prices and for determining the duration of the contract when there are renewal options.
Contract costs (IFRS 15)	The recognition of the costs of obtaining and fulfilling contracts is influenced by the estimated expected duration of the relationship with the customer, calculated on the basis of the historical turnover indexes and future estimates. However, this estimate is subject to fluctuations and could only represent customers' future behavior in a limited way, especially if there are new commercial offers or changes in the competitive environment.
Income tax expense (current and deferred)	Income tax expense (current and deferred) are calculated according to a prudent interpretation of the applicable tax laws. This process sometimes involves complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized to the extent that future taxable income will be available against which they can be recovered. The measurement of the recoverability of deferred tax assets takes into account the estimate of future taxable income and is based on conservative tax planning.

As per IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) paragraph 10, in the absence of a standard or interpretation that specifically applies to a transaction, the Management shall use its judgment in developing and applying an accounting policy that results in combined financial statements that represent faithfully the financial position and financial performance, reflect the economic substance of transactions, and are neutral, prudential and complete in all material aspects.

New Standards and Interpretations issued by IASB but not yet applicable

At the date of preparation of these combined financial statements, the IASB had issued the following new Standards and Interpretations which have not yet come into force:

	Mandatory application starting from
New Standards and Interpretations not yet endorsed by the EU	
Amendments to IAS 7: Statements of Cash Flows and IFRS 7 Financial instruments: Supplementary disclosures	1/1/2024
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*	1/1/2025
New Standards and Interpretations endorsed by the EU	
Amendments to IAS 1 *Presentation of Financial Statements*: non-current liabilities with covenants	1/1/2024
Amendments to IAS 1 *Presentation of Financial Statements*: classification of liabilities as current or non-current	1/1/2024
Amendments to IFRS 16: Lease liabilities in a sale and lease-back	1/1/2024

The potential impacts on the NetCo combined carve out financial information from the application of these standards and interpretations are currently being assessed, however the expected impact on main financial and economic data are expected not material.

NOTE 3

GOODWILL AND INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

(million euros)	12/31/2022	Investments	Amortization	Other changes	12/31/2023
Goodwill	—			—	**—**
Industrial patents and intellectual property rights	127	45	(77)	66	**161**
Concessions, licenses, trademarks and similar rights	—		(1)	9	**8**
Work in progress and advance payments	114	29		(73)	**70**
Total	**241**	**74**	**(78)**	**2**	**239**

Goodwill, for the purpose of the preparation of NetCo combined carve out financial information, no Goodwill has been allocated to the carve-out business. The NetCo combined carve out financial information does not consider any allocation of goodwill on NetCo and any adjustment as resulting from the purchase accounting process to be applied by the acquiring entity as a consequence of the Transaction.

Industrial patents and intellectual property rights at December 31, 2023, essentially consist of the plant operation and application software purchased outright and user license, amortized over a period between 2 and 6 years; they are related mainly to NetCo ramo carve out (152 million euros).

Concessions, licenses, trademarks and similar rights at December 31, 2023 mainly refer to the extension of the license for 28 GHz band, expiring on December 31, 2029.

Work in progress and advance payments mainly relate to investments in Operation & Wholesale System Transformation activities of NetCo ramo carve out.

The main changes in 2022 are the following:

(million euros)	Investments	Amortization
Industrial patents and intellectual property rights	43	(62)
Work in progress and advance payments	85	
Total	**128**	**(62)**

NOTE 4
PROPERTY, PLANT AND EQUIPMENT OWNED

(million euros)	12/31/2022	Investments	Depreciation	Disposals	Other changes	12/31/2023
Land	198				(2)	**196**
Buildings (civil and industrial)	433	3	(27)		6	**415**
Plant and machinery	8,251	1,211	(1,129)	(7)	116	**8,442**
Manufacturing and distribution equipment	17	5	(6)		—	**16**
Other	25	5	(11)		2	**21**
Construction in progress and advance payments	328	440			(138)	**630**
Total	**9,252**	**1,664**	**(1,173)**	**(7)**	**(16)**	**9,720**

Land comprises both built-up land and other available land and is not subject to depreciation. It entirely refers to NetCo ramo carve out.

Buildings (civil and industrial) mainly includes buildings for industrial use hosting telephone exchanges, or for office use and light constructions. They entirely refer to NetCo ramo carve out.

Plant and machinery includes the technological infrastructure used for the provision of telecommunications services (transport and distribution of voice/data traffic). The balance at December 31, 2023 is attributable to FiberCop S.p.A. (4,595 million euros) and NetCo ramo carve out (3,847 million euros).

Manufacturing and distribution equipment consists of instruments and equipment used for the operation and maintenance of plant and equipment and refers to NetCo ramo carve out.

Other mainly consists of hardware for the functioning of the network and for work stations, furniture and fixtures and, to a minimal extent, transport vehicles and office machines. It essentially refers to NetCo ramo carve out.

Construction in progress and advance payments include the internal and external costs incurred for the acquisition and internal production of tangible assets, which are not yet in use.

Depreciation for the years 2023 was calculated on a straight-line basis over the estimated useful lives of the assets according to the following minimum and maximum rates:

Buildings (civil and industrial)	3% – 6,66%
Plant and machinery	3% - 50%
Manufacturing and distribution equipment	20%
Other	11% - 33,33%

The main changes in 2022 are the following:

(million euros)	Investments	Depreciation	Disposals
Buildings (civil and industrial)	6	(27)	
Plant and machinery	1,278	(1,117)	(4)
Manufacturing and distribution equipment	5	(8)	
Other	7	(13)	
Construction in progress and advance payments	142		
Total	**1,438**	**(1,165)**	**(4)**

NOTE 5
RIGHTS OF USE ASSETS

(million euros)	12/31/2022	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Other changes	12/31/2023
Property	2,086	23	421	(275)	(1)	(11)	**2,243**
Plant and machinery	225	41	1	(26)		(2)	**239**
Other tangible assets	52		2	(20)	(1)	1	**34**
Construction in progress and advance payments	30	12				(21)	**21**
Intangible assets	1			(1)			**—**
Total	**2,394**	**76**	**424**	**(322)**	**(2)**	**(33)**	**2,537**

Property includes buildings and land under finance leases and the related building adaptations, attributable to NetCo ramo carve out.

Plant and machinery mainly includes rights of use on infrastructures for telecommunications services. They refer to FiberCop S.p.A. (152 million euros) and NetCo ramo carve out (87 million euros).

Other tangible assets mainly comprises the leases on motor vehicles and they mainly refer to NetCo ramo carve out.

The main changes in 2022 are the following:

(million euros)	Investments	Increases in lease contracts	Depreciation and amortization
Property	14		(262)
Plant and machinery	23	11	(24)
Other tangible assets			(21)
Construction in progress and advance payments	24		
Intangible assets			(1)
Total	**61**	**11**	**(308)**

NOTE 6
MISCELLANEOUS RECEIVABLES AND OTHER NON-CURRENT ASSETS

(million euros)		12/31/2023	12/31/2022
Miscellaneous receivables (non-current)	**(a)**	**—**	**—**
Other non-current assets			
Deferred contract costs		514	531
Other deferred costs		11	11
	(b)	**525**	**542**
Total	**(a+b)**	**525**	**542**

Deferred contract costs are mainly related to the deferral of costs related to the activation of new contracts with customers. Contractual costs (mainly technical activation costs) were deferred and charged to the separate income statements according to the expected duration of the contractual relationship with customers (on average around 8 years for the fixed-line business). They refer to NetCo ramo carve out.

NOTE 7
INCOME TAXES

Deferred tax assets and deferred tax liabilities

The net balance of 45 million euros at December 31, 2023 (33 million euros at December 31, 2022) breaks down as follows:

(million euros)	12/31/2023	12/31/2022
Deferred tax assets	65	50
Deferred tax liabilities	(20)	(17)
Total	**45**	**33**

The deferred tax assets at December 31, 2023 and 2022 refer to NetCo and Fibercop.

The deferred tax liabilities at December 31, 2023 and 2022 refers to NetCo.

The temporary differences which made up this line item at December 31, 2023 and 2022, as well as the movements during 2023, were as follows:

(million euros)	12/31/2022	Recognized in profit or loss	Other changes	12/31/2023
Deferred tax assets				
Provision for bad debts	2			2
Taxed depreciation and amortization	45	15		60
Other deferred tax assets	3			3
Total	**50**	**15**	**—**	**65**
Deferred tax liabilities				
Land and buildings	(13)			(13)
Accelerated depreciation	(4)		(3)	(7)
Total	**(17)**	**—**	**(3)**	**(20)**
Total Deferred tax assets net of Deferred tax liabilities	**33**	**15**	**(3)**	**45**

Income tax expense

The income tax expense for the years 2023 and 2022 breaks down as follows:

(million euros)	2023	2022
Current taxes for the year	180	186
Net difference in prior year estimates	(1)	—
Total current taxes	**179**	**186**
Deferred taxes	(15)	(4)
Total income tax expense for the year	**164**	**182**

The income tax expenses includes only the actual income tax expense of FiberCop S.p.A. and Telenergia S.r.l. calculated on a stand alone basis, applying a notional tax rate of 24% for IRES and 4.5% for IRAP.

The total current taxes also include the effect (1 million euros) of the final (lower) estimate of previous year income taxes.

The 2023 deferred taxes for an amount of 9 million euros include the accrual of tax assets on taxed depreciation and amortizazion of NetCo and FiberCop tangible assets.

NOTE 8
INVENTORIES

(million euros)	12/31/2023	12/31/2022
Finished goods	43	32
Total	**43**	**32**

Finished goods essentially consist of fixed telecommunications equipment and refer to NetCo ramo carve out.

NOTE 9
TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

(million euros)		12/31/2023	12/31/2022
Trade receivables			
Receivables from customers		648	572
	(a)	**648**	**572**
Miscellaneous receivables (current)			
Other receivables	**(b)**	**51**	**87**
Other current assets			
Contract assets		51	—
Deferred contract costs		96	96
Other deferred costs		20	19
	(c)	**167**	**115**
Total	**(a+b+c)**	**866**	**774**

Trade receivables are stated net of the provision for bad debts. As at December 31, 2023 they are related to NetCo ramo carve out (397 million euros), FiberCop S.p.A. (221 million euros) and Telenergia S.r.l. (30 million euros).

Movements in the provision for bad debts in 2023 were as follows:

(million euros)	12/31/2023
At January 1	**10**
Provision charges to the income statement	8
Utilization and decreases	(7)
Other changes	
At December 31	**11**

In 2022 the provision charges for bad debts to the income statement were equal to 4 million euros.

Miscellaneous receivables (current) refer to other receivables and mainly include the credits for Group Value Added Tax (VAT) (35 million euros).

Other current assets mainly include:

- **Contract assets** relating to works carried out in 2023 in connection with the NRRP projects by FiberCop S.p.A. (34 million euros) and NetCo ramo carve out (17 million euros).
- **Deferred contract costs** referred to NetCo ramo carve out and mainly related to technical activation costs. Further details on Deferred contract costs are provided in the Note "Miscellaneous receivables and other non-current assets".

NOTE 10

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

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

(million euros)		12/31/2023	12/31/2022
Non-current financial liabilities for financing contracts and others			
Financial payables (medium/long-term):			
Amounts due to banks		1,491	1,489
Other financial payables		2,080	1,534
	(a)	**3,571**	**3,023**
Non-current financial liabilities for lease contracts	**(b)**	**2,075**	**1,910**
Total non-current financial liabilities	**c=(a+b)**	**5,646**	**4,933**
Current financial liabilities for financing contracts and others			
Financial payables (short term):			
Amounts due to banks		1	—
Other financial payables		12	55
	(d)	**13**	**55**
Current financial liabilities for lease contracts	**(e)**	**253**	**301**
Total current financial liabilities	**f=(d+e)**	**266**	**356**
Financial liabilities directly associated with Discontinued operations/ Non-current assets held for sale	**(g)**	**—**	**—**
Total Financial liabilities (Gross financial debt)	**h=(c+f+g)**	**5,912**	**5,289**

Medium/long-term amounts due to banks totaled 1,491 million euros (1,489 million euros at December 31, 2022) and referred to a 5-year Term Loan signed on December 23, 2021 with a pool of international banks.

Other medium/long-term financial payables totaled 2,080 million euros (1,534 million euros at December 31, 2022) and referred to the Facility Agreement between FiberCop S.p.A. and TIM S.p.A. signed at the same time of the business branch transfer on March 31, 2021. During the year 2023, 537 million euros were drawdown from the facility granted by TIM S.p.A. in order to finance investment activities.

Medium/long-term **financial liabilities for lease contracts** amounted to 2,075 million euros (1,910 million euros at December 31, 2022), whilst short-term payables totaled 253 million euros (301 million euros at December 31, 2022) and included 250 million euros in the current portion of financial liabilities for medium/long-term lease contracts (289 million euros at December 31, 2022).

Other current financial payables for the amount of 12 million euros (55 million euros at December 31, 2022) were due to the Parent Company TIM S.p.A..

NOTE 11
NET FINANCIAL POSITION

The **Net financial position** is broken down as follows:

(million euros)		12/31/2023	12/31/2022
Non-current financial liabilities			
Amounts due to banks, other financial payables and liabilities		3,571	3,023
Non-current financial liabilities for lease contracts		2,075	1,910
		5,646	**4,933**
Current financial liabilities			
Amounts due to banks, other financial payables and liabilities		13	55
Current financial liabilities for lease contracts		253	301
		266	**356**
Total Gross financial debt	**(a)**	**5,912**	**5,289**
Non-current financial assets			
Non-current financial receivables arising from lease contracts		(63)	—
Financial receivables and other non-current financial assets		(17)	(19)
		(80)	**(19)**
Current financial assets			
Current financial receivables arising from lease contracts		(118)	(53)
Financial receivables and other current financial assets		(6)	(6)
Cash and cash equivalents		(152)	(57)
		(276)	**(116)**
Total financial assets	**(b)**	**(356)**	**(135)**
Net financial debt carrying amount	**(a+b)**	**5,556**	**5,154**

NOTE 12
EMPLOYEE BENEFITS

(million euros)		12/31/2023	12/31/2022
Provision for employee severance indemnities	**(a)**	**305**	**317**
Provision for pension and other plans		—	—
Provision for termination benefit incentives and corporate restructuring		—	—
Total other employee benefits	**(b)**	**—**	**—**
Total	**(a+b)**	**305**	**317**
of which:			
non-current portion		305	317
current portion (*)		—	—

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

Please note there are no assets servicing the Provision for employee severance indemnities.

In application of IAS 19, employee severance indemnities have been calculated using the "Projected Unit Credit Method" as follows:

- the future possible benefits which could be paid to each employee registered in the program in the event of retirement, death, disability, resignation etc. have been projected on the basis of a series of financial assumptions (cost-of-living increases, interest rate, increase in compensation etc.). The estimate of future benefits includes any increases for additional service seniority, as well as the estimated increase in the compensation level at the measurement date – only for employees of companies with less than 50 employees during the year 2006;
- the average present value of future benefits has been calculated, at the measurement date, on the basis of the annual interest rate adopted and of the probability that each benefit actually has to be paid;
- the liability of each company concerned has been calculated as the average present value of future benefits that will be generated by the existing provision at the measurement date, without considering any future accruals (for companies with at least 50 employees during the year 2006) or by identifying the amount of the average present value of future benefits which refer to the past service already accrued by the employee in the company at the measurement date (for the others), i.e. adopting the "service pro-rate".

The following assumptions have been made:

FINANCIAL ASSUMPTIONS	Executives	Non-executives
Inflation rate	**2.00% per annum**	**2.00% per annum**
Discount rate	**3.08% per annum**	**3.08% per annum**
Employee severance indemnities annual increase rate	**3.0% per annum**	**3.0% per annum**
Annual real wage growth:		
equal to or less than 40 years of age	1.0% per annum	1.0% per annum
over 40 but equal to or less than 55 years of age	0.5% per annum	0.5% per annum
over 55 years of age	0.0% per annum	0.0% per annum
DEMOGRAPHIC ASSUMPTIONS	**Executives**	**Non-executives**
Probability of death	Mortality tables RG48 published by Ragioneria Generale dello Stato	Mortality tables RG48 published by Ragioneria Generale dello Stato
Probability of disability	INPS tables divided by age and sex	INPS tables divided by age and sex
Probability of resignation:		
up to 40 years of age	2.00%	1.00%
from 41 to 50 years of age	2.00%	0.50%
from 51 to 59 years of age	1.00%	0.50%
from 60 to 64 years of age	None	0.50%
aged 65 and over	None	None
Probability of retirement	100% on achievement of the AGO requirements aligned with D.L. 4/2019	
Probability of receiving at the beginning of the year an advance from the provision for severance indemnities accrued equal to 70%	1.5% per annum	1.5% per annum

The application of the above assumptions resulted in a liability for employee severance indemnities of 305 million euros at December 31, 2023.

NOTE 13
PROVISIONS

The provisons break down as follows:

(million euros)	12/31/2022	Increase	Taken to income	Used directly	Other changes	12/31/2023
Provision for restoration costs	**218**	12	(2)	(7)	1	**222**
Provision for legal disputes	**1**	1		(1)		**1**
Total	**219**	**13**	**(2)**	**(8)**	**1**	**223**
of which:						
non-current portion	**219**					**223**
current portion	—					—

The **provision for restoration costs** related to the provision for restoration of leased real estate and the dismantling of tangible assets (in particular: batteries, wooden poles); it is attributable to FiberCop S.p.A. (127 million euros) and NetCo ramo carve out (95 million euros).

NOTE 14
MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

The figure breaks down as follows:

(million euros)		12/31/2023	12/31/2022
Miscellaneous payables (non-current)			
Other payables		137	150
	(a)	**137**	**150**
Other non-current liabilities			
Deferred revenues from customer contracts (Contract liabilities)		21	25
Other deferred revenue and income		160	165
Capital grants		264	235
	(b)	**445**	**425**
Total	(a+b)	**582**	**575**

Miscellaneous payables (non-current) at December 31, 2023 refer to the payables of FiberCop S.p.A. (135 million euros) and Telenergia S.r.l. (2 million euros) to the Parent Company TIM S.p.A. deriving from the tax consolidation.

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

- **Other deferred revenue and income** including deferred revenues related to agreements for the sale of the transmission capacity. They relate mainly to NetCo ramo carve out (149 million euros).
- **Capital grants** representing the component still to be released to the income statement based on the useful life (estimated at around 18 years) of the assets that the grants refer to and is mainly connected to the realization of the infrastructures on the Ultrabroadband-UBB and Broadband-BB projects.

NOTE 15

TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

The figure breaks down as follows:

(million euros)		12/31/2023	12/31/2022
Trade payables			
Payables due to suppliers		1,489	1,291
	(a)	**1,489**	**1,291**
Tax payables	**(b)**	**3**	**—**
Miscellaneous payables			
Payables for employee compensation		50	63
Payables to social security agencies		1	—
Other		176	111
	(c)	**227**	**174**
Other current liabilities			
Liabilities from customer contracts (Contract liabilities)		159	145
Other deferred revenue and income		30	30
Other		43	36
	(d)	**232**	**211**
Total	**(a+b+c+d)**	**1,951**	**1,676**

Trade payables at December 31, 2023 refer to NetCo ramo carve out for 1,375 million euros, to Telenergia S.r.l. for 99 million euros and FiberCop S.p.A. for 15 million euros.

Miscellaneous payables mainly comprise the current portion of the payable of FiberCop S.p.A. to Parent Company TIM S.p.A. deriving from the tax consolidation (148 million euros at December 31, 2023).

Other current liabilities include:

- **Liabilities arising from contracts with customers (Contract liabilities):** this item includes liabilities to customers related to the obligations of Group companies to transfer goods and services for which they have received consideration. Liabilities with customers generally have a maturity of up to 12 months.
- **Other deferred revenue and income:** mainly referred to deferred revenues deriving from contracts for the sale of transmission capacity.
- **Other:** related to payables for advances on network works in progress and referred to NetCo ramo carve out (35 million euros) and FiberCop S.p.A. (8 million euros).

NOTE 16
REVENUES

The breakdown is as follows:

(million euros)	2023	2022
Equipment sales	317	155
Services	1,802	1,741
Total	**2,119**	**1,896**

NOTE 17
OTHER INCOME

The breakdown is as follows:

(million euros)	2023	2022
Late payment fees charged for telephone services	7	8
Recovery of employee benefit expenses, purchases and services rendered	11	3
Capital and operating grants	27	26
Damages, penalties and recoveries connected with litigation	14	18
Estimate revisions and other adjustments	11	13
Income for special training activities	3	1
Other	19	30
Total	**92**	**99**

NOTE 18
ACQUISITION OF GOODS AND SERVICES

The breakdown is as follows:

(million euros)		2023	2022
Purchase of raw materials and goods	**(a)**	**130**	**86**
Costs of services:			
Costs for telecommunications network access services		14	14
Commissions, sales commissions and other selling expenses		5	5
Advertising and promotion expenses		2	2
Utilities		361	365
Maintenance costs		293	329
Professional services, Outsourcing costs and Other Services		21	20
	(b)	**696**	**735**
Lease and rental costs:			
Rent and leases		1	1
TLC circuit subscription charges		1	1
Other lease and rental costs		5	3
	(c)	**7**	**5**
Total	**(a+b+c)**	**833**	**826**

NOTE 19
EMPLOYEE BENEFITS EXPENSES

The figure breaks down as follows:

(million euros)		2023	2022
Ordinary employee expenses			
Wages and salaries		722	755
Social security expenses		270	282
Other employee benefits		43	15
	(a)	**1,035**	**1,052**
Costs and provisions for agency contract work	**(b)**	**—**	**—**
Miscellaneous expenses for employees and other labor-related services rendered			
Corporate restructuring expenses		—	1
Other		6	3
	(c)	**6**	**4**
Total	**(a+b+c)**	**1,041**	**1,056**

In 2023 "Employee benefit expenses" refer to NetCo ramo carve out for 1,032 million euros and to FiberCop S.p.A. for 9 million euros.

The average salaried workforce, including agency contract workers, stood at 18,047 employees in 2023 (18,684 employees in 2022). A breakdown by category is as follows:

(number of units)	2023	2022
Executives	136	156
Middle Managers	909	987
White collars	17,002	17,541
Employees on payroll	**18,047**	**18,684**
Agency contract workers	—	—
Total average salaried workforce	**18,047**	**18,684**

NOTE 20
OTHER OPERATING EXPENSES

The breakdown is as follows:

(million euros)	2023	2022
Write-downs and expenses in connection with credit management	7	4
Provision charges	2	1
TLC operating fees and charges	23	23
Indirect duties and taxes	49	54
Penalties, settlement compensation and administrative fines	8	5
Subscription dues and fees, donations, scholarships and traineeships	3	3
Other	7	5
Total	**99**	**95**

NOTE 21
FINANCE INCOMES AND EXPENSES

Financial incomes (expenses) showed in 2023 a net expense of 336 million euros (expense of 239 million euros in 2022) and included:

(million euros)	2023	2022
Finance income	4	—
Finance expenses	(340)	(239)
Finance income (expenses), net	**(336)**	**(239)**

The items break down as follows:

(million euros)		2023	2022
Interest expenses and other finance expenses:			
Interest expenses to banks		(64)	(20)
Interest expenses to others		(126)	(52)
Interest expenses on lease liabilities		(107)	(100)
		(297)	**(172)**
Commissions		(22)	(25)
Other finance expenses		(21)	(42)
		(43)	**(67)**
Interest incomes and other finance incomes			
Interest income		3	—
Income from financial receivables recorded in non-current assets		1	—
		4	**—**
Net interests / financial charges	**(a)**	**(336)**	**(239)**
Total other components of financial income and expense	**(b)**	**—**	**—**
Total net financial incomes (expenses)	**(a+b)**	**(336)**	**(239)**

The increase of net financial expense was mainly due to the increase in interest rates.

NOTE 22
RELATED-PARTY TRANSACTIONS

The following tables show the figures relating to related-party transactions and the impact of those amounts on the separate combined income statement and on the combined statements of financial position.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length.

The effects of the related-party transactions on the NetCo separate combined income statement line items for 2023 and 2022 are as follows:

SEPARATE COMBINED INCOME STATEMENT LINE ITEMS 2023

(million euros)	Total (a)	Parent Company	Companies subject to common control	Other related parties	Total related parties (b)	% of financial statement item (b/a)
Revenues	2,119	29	56	284	369	17.4
Other income	92	1		(11)	(10)	(10.9)
Acquisition of goods and services	833	3	3	39	45	5.4
Depreciation and amortization	1,573			5	5	0.3
Finance income	4			(1)	(1)	(25.0)
Finance expenses	340	145			145	42.6

SEPARATE COMBINED INCOME STATEMENT LINE ITEMS 2022

(million euros)	Total (a)	Parent Company	Companies subject to common control	Other related parties	Total related parties (b)	% of financial statement item (b/a)
Revenues	1,896	13	55	124	192	10.1
Other income	99		2		2	2.0
Acquisition of goods and services	826		4	76	80	9.7
Depreciation and amortization	1,534			4	4	0.3
Finance expenses	239	73			73	30.5

The effects of related-party transactions on the NetCo combined statements of financial position line items at December 31, 2023 and December 31, 2022, are as follows:

COMBINED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2023

(million euros)	Total (a)	Parent Company	Companies subject to common control	Other related parties	Total related parties (b)	% of financial statement item (b/a)
Rights of use assets	2,537			50	50	2.0
Miscellaneous receivables and other non-current assets	525	1			1	0.2
Trade and miscellaneous receivables and other current assets	866	238	17	34	289	33.4
Miscellaneous payables and other non-current liabilities	582	140		32	172	29.6
Trade and miscellaneous payables and other current liabilities	1,951	168	3	33	204	10.5

Related-party transactions on the Net financial position items referred for 2,081 million euros to the Facility Agreement between FiberCop S.p.A. and TIM S.p.A. signed at the same time of the business branch transfer on March 31, 2021.

COMBINED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2022

(million euros)	Total (a)	Parent Company	Companies subject to common control	Other related parties	Total related parties (b)	% of financial statement item (b/a)
Rights of use assets	**2,394**			37	**37**	**1.5**
Trade and miscellaneous receivables and other current assets	**775**	183	23	49	**255**	**32.9**
Miscellaneous payables and other non-current liabilities	**575**	150		30	**180**	**31.3**
Trade and miscellaneous payables and other current liabilities	**1,676**	125	4	46	**175**	**10.4**

NOTE 23 SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

(million euros)	2023	2022
Other income:		
Recovery of operating expenses	(11)	2
Acquisition of goods and services, Change in inventories:		
Acquisition of goods and services - Charges related to agreements and the development of non-recurring projects and other charges	(1)	(11)
Employee benefits expenses:		
Charges connected to corporate reorganization/restructuring and other costs	(2)	(3)
Other operating expenses:		
Expenses related to disputes and regulatory penalties and liabilities related to those expenses, other provisions and charges	(3)	(1)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(17)**	**(13)**
Impact on Operating profit (loss) (EBIT)	**(17)**	**(13)**
Finance income:		
Other finance income	(1)	
Impact on profit (loss) before tax from continuing operations	**(18)**	**(13)**
Impact on profit (loss) for the year	**(18)**	**(13)**

Non-recurring expenses relate to events and transactions that, in the opinion of management, by their nature do not occur on an ongoing basis in the normal course of operations and which impact results in a significant amount. Specifically, non-recurring events for the year ended December 31, 2023 and 2022 mainly include:

- expenses related to COVID emergency prevention;
- write-off, in 2023, of a positive income related to a Telenergia dispute; and
- personnel costs related to training.

NOTE 24
OTHER INFORMATION

Guarantees

At December 31, 2023 personal guarantees amount to 19 million euros (24 million euros at December 31, 2022), granted to certain suppliers of Telenergia to guarantee the correct fulfilment of its contractual obligations.

The guarantees provided by third parties to NetCo, amount to 789 million euros at December 31, 2023 (725 million euros at December 31, 2022) and are comprised of:

- 218 million euros (156 million euros at December 31, 2022) issued by banks or other financial institutions to guarantee the proper fulfilment of Telenergia's contractual obligations towards its suppliers (147 million euros; 58 million euros at December 31, 2022)) and other obligations (mainly rentals);
- 571 million euros (569 million euros at December 31, 2022) are insurance guarantees of which 353 million euros at December 31, 2023 and December 31, 2022 performance bonds issued in favor of Infratel under the National Recovery and Resilience Plan in relation to "Italia a 1G" and "5G BH" plans.

NOTE 25
EVENTS SUBSEQUENT TO DECEMBER 31, 2023

Golden Power approval for NetCo operation received

On January 17, 2024, TIM, as part of the activities finalized to the closing of the agreement for the sale of NetCo and following the transaction agreement signed with Optics BidCo (a subsidiary of Kohlberg Kravis Roberts & Co. L.P. "KKR"), announces that it has received approval to execute the transaction pursuant to the Golden Power legislation. The authorization measure, by which the Council of Ministers exercised its special powers in the form of prescriptions only, adopted the commitments presented in the course of the procedure. These commitments were deemed by the Government to be fully adequate to guarantee the protection of the strategic interests connected with the assets involved in the transaction.

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
TIM S.p.A.

Opinion

We have audited the combined carve out financial information of the fixed network assets business of TIM S.p.A. (the "**NetCo Business**"), which comprise the combined carve out statements of financial position as of December 31, 2023 and 2022, the combined carve out income statements for the years then ended, and notes to the combined carve out financial information, including a summary of material accounting policies information (the "**NetCo Combined Carve out Financial Information**").

In our opinion, the accompanying NetCo Combined Carve out Financial Information of the NetCo Business for the years ended December 31, 2023, and 2022, are prepared in all material respects, in accordance with the criteria set forth in *Note 2 – Summary of the carve out criteria and accounting policies adopted for the preparation of the financial information* to the NetCo Combined Carve out Financial Information (the "**Criteria**").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the NetCo Combined Carve out Financial Information* section of our report. We are independent of TIM S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note *2 – Summary of the Carve out criteria and accounting policies adopted for the preparation of the financial information* to the NetCo Combined Carve out Financial Information, which describes the basis of accounting. The NetCo Combined Carve out Financial Information are prepared for the sole purpose of preparing the documentation to be included in the Exchange Offering Memorandum for the proposed exchange offers to: i) the holders of certain USD denominated notes for the corresponding series of new USD denominated notes to be issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A., ii) the holders of certain Euro denominated notes for the corresponding series of new Euro denominated notes to be issued by Telecom Italia Finance S.A. and guaranteed by TIM S.p.A., and iii) to the holders of certain Euro denominated notes for the corresponding series of new Euro denominated notes to be issued by TIM S.p.A.. As a result, the NetCo Combined Carve out Financial Information and our opinion thereto, may not be suitable for any other purpose. Our opinion is not modified in respect of this matter.

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Other Matters

As stated in Note 1 – *General Information* and Note *2 – Summary of the Carve out criteria and accounting policies adopted for the preparation of the financial information*, the NetCo Business is an integrated business of the TIM Group and is not a stand-alone business or entity. The NetCo Combined Carve out Financial Information of the NetCo Business reflects the assets, liabilities, revenue and expenses directly attributable to the NetCo Business, as well as allocations deemed reasonable by management, to present the carve out financial position and results of operations of the NetCo Business on a stand-alone basis and includes only the business that will form the basis for the transaction as identified in the Transaction Agreement agreed between the parties, and do not necessarily reflect the financial position and results of operations of the NetCo Business in the future or what they would have been had the NetCo Business been a separate stand-alone business or entity during the years presented.

Responsibilities of Management and Those Charged with Governance for the NetCo Combined Carve out Financial Information

Management is responsible for the preparation of the NetCo Combined Carve out Financial Information in accordance with the Criteria and for such internal control as management determines is necessary to enable the preparation of NetCo Combined Carve out Financial Information that are free from material misstatement, whether due to fraud or error.

In preparing the NetCo Combined Carve out Financial Information, management is responsible for assessing the NetCo Business' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the NetCo Business's financial reporting process.

Auditor's Responsibilities for the Audit of the NetCo Combined Carve out Financial Information

Our objectives are to obtain reasonable assurance about whether the NetCo Combined Carve out Financial Information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these NetCo Combined Carve out Financial Information.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the NetCo Combined Carve out Financial Information, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

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- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NetCo Business internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we have concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NetCo Business ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the NetCo Combined Carveout Financial Information or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NetCo Business to cease to continue as a going concern;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the NetCo Business to express an opinion on the NetCo Combined Carve out Financial Information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

Turin, April 10, 2024

EY S.p.A.

Ettore Abate
(Auditor)

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