# Telecom Italia Finance Group

## Consolidated Financial Statements 2023

Audited Consolidated Annual Accounts as at December 31, 2023, which have been authorized by the Board of Directors held on March 05, 2024

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# Directors' report

## The Business Units

BRAZIL

The Brazil Business Unit (Tim Brasil group) provides mobile telephone services using UMTS, GSM and LTE technologies. Moreover, the Tim Brasil group offers fiber optic data transmission using full IP technology, such as DWDM and MPLS and residential broadband services.

- TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.
  - TIM S.A.

OTHER OPERATIONS

This Business Unit provides financial assistance to TIM Group companies and the management of liquidity buffer through money market instruments.
As of December 31, 2023:
- The amount of notes (issued by Telecom Italia Finance and listed on Bourse of Luxembourg) is 1.015 million euros.
- The amount of net financial debt is equal to -3.112 million euros.

- TELECOM ITALIA FINANCE

## Key operating Financial Data

**Consolidated Operating and Financial Data**

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | | |
| **Revenues** | **4.412** | **3.963** |
| **EBITDA** | **2.134** | **1.828** |
| **EBIT** | **827** | **581** |
| | | |
| Profit (loss) before tax from continuing operations | 597 | 254 |
| **Profit (loss) for the year** | **511** | **221** |
| Profit (loss) for the year attributable to Owners of the Parent | 335 | 120 |
| | | |
| **Capital expenditures** | **834** | **870** |

**Consolidated Financial Position Data**

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | | |
| **Total assets** | **16.662** | **15.868** |
| | | |
| **Total equity** | **7.581** | **7.911** |
| Attributable to Owners of the Parent | 5.934 | 6.366 |
| Attributable to non-controlling interests | 1.646 | 1.545 |
| **Total liabilities** | **9.081** | **7.957** |
| **Total equity and liabilities** | **16.662** | **15.868** |
| | | |
| **Share capital** | **1.819** | **1.819** |
| **Net financial debt carrying amount** | **-133** | **-492** |

**Headcount**

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Number in the Group at year end | 9.276 | 9.405 |
| Average number in the Group | 8.924 | 8.803 |

## Highlights

Merger of Cozani
On March 30, 2023, the TIM S.A.'s Extraordinary General Meeting approved the merger, by TIM, of Cozani RJ Infraestrutura e Redes de Telecomunicações S.A., the special purpose company acquired from Oi S.A. – In Judicial Reorganization on April 20, 2022.
The Board of Directors acknowledged about the obtaining of the regulatory consent and verified compliance with the other conditions to grant full effectiveness to the Merger. Accordingly, the BoD declared that said Merger and the consequent extinction of Cozani became effective, for all purposes and effects, on April 1, 2023.
Pursuant to the minutes and respective annexes of the Company's Meeting held on March 30, 2023, the approved Merger did not result in a capital increase, nor in the issuance of new Company shares or in changes in the Company's shareholders, with no need to be considered the replacement of shares or the right to withdraw.

Agreement Regarding The Adjusted Closing Price For The Acquisition Of Oi’S Mobile Assets
On October 4, 2023, TIM S.A. communicated to the market that the Arbitration Chamber Court approved an agreement regarding the post-closing adjustment (as defined in the contract), concluded, on one hand, between the Company, Telefônica Brasil S.A. and Claro S.A., and on the other, Oi S.A. – In Judicial Reorganization, as a way of putting an end to the controversy and the arbitration procedure related to the post-closing adjustment. The final price of the portion of UPI Ativos Móveis attributed to the Company, considering the post-closing adjustment negotiated in the agreement, was 6,68 billion reais (1,2 billion euros), taking the closing date as reference.
Taking into account TIM's adjusted final price, the Company redeemed a portion corresponding to half of the amount that had been deposited in court and subsequently transferred to the Arbitration Chamber (equivalent to approximately 317 million reais (59 million euros) on the closing date, updated by the 100% variation from the CDI until the deposit in court, plus interest and/or monetary correction, applicable until the date of the respective redemption), and the remaining amount was redeemed by Oi S.A. – In Judicial Reorganization as part of the purchase price of the UPI Movable Assets attributed to the Company.

Parent's activity
In 2023 the Parent’s activities continue to be segmented into two business: holding of participations and financial assistance to Telecom Italia Group (“TIM Group”) companies.

MACROECONOMIC ENVIRONMENT

The international scenario was, for one more year, marked by many uncertainties and volatility with high inflation rates with resistance to be reduced, led by commodity, food, and logistical and production bottleneck, as well as a reduction in GDP growth rates in most countries. The United States showed a slowdown in the inflation rate to 3,4%, and GDP growth of 2,5% compared to an expansion of 2,1% in 2022. The economy in Europe shows a low pace of growth, greatly impacted by the effects of the Russian invasion of Ukraine and more recently the conflict between Israel and Hamas, affected the pace of the resumption of the post-pandemic economy. The GDP of the Organization for Economic Co-operation and Development (OECD) member countries increased 0,7% in the third quarter. The International Monetary Fund (IMF) points to a forecast of 3,0% growth for the global economy in 2023.
In Brazil, after a 2022 with the most polarized presidential election in history, the country needed to advance important reforms and also carry out a fiscal adjustment of a specific magnitude. At the end of the year, the approval of a tax reform was achieved, even if only a part of it, which had been discussed for 30 years, in addition to projecting the zeroing of the primary deficit by 2024.
Another favorable fact was the decrease in the unemployment rate 7,8% in 2023, lowest number since 2014 and 7,4% in the fourth quarter continuing a series of declines over the last quarters, impacted by the process of immunization against COVID-19 started in 2022. With this quarter's results, the absolute number of unemployed people decreased marginally compared to the previous quarter, to 8,1 million people.
Inflation, measured by the Extended Consumer Price Index (IPCA), ended 2023 at 4,62%, above of the target the estimated target for the year (3,25%), but inside of the margin of the target of 1,5%. Despite having the second largest nominal increase (7,14%), the Transport group had the greatest weight in the general inflation index, with 1,46 percentage points. Gasoline, which is part of the group, was the sub-item with the greatest weight among the 377 that make up the IPCA. In the year, the increase was 12,09%, with an impact of 0,56 pp Also in the group are two other sub-items that make up the podium of the most relevant price increases for

the IPCA. Registration and licenses increased by 21,22% in the year and weighed 0,53 pp in the IPCA. Air tickets come in third place in the ranking, as they rose 47,24% in the year and contributed 0,32 pp to the index. In the Health and personal care group, the biggest contribution came from the health plan (11,52% increase and 0,43 pp in the index). In Housing, the main positive contribution came from residential electricity (9,52% and 0,37 pp).
In 2023, the exchange rate recorded a considerable volatility, with the Real appreciating against the US dollar in relation to the end of the previous year. At the last closing period, the American currency ended quoted at 4,85 reais, accounting for a decrease of 8,06%. Uncertainties regarding American inflation and external factors such as the Russian invasion of Ukraine in addition to the confrontation that began in October 2023 between Israel and Hamas, contributed to the oscillation scenario presented by the currency. In relation to the Brazilian Real, the American currency recorded a high of 5,45 reais against a low of 4,72 reais during the year, accounting for a change of 15,5% in a scenario of domestic uncertainties, fiscal risks and many discussions about, for example, the Tax Reform Proposal, in addition to the new expenditure framework. Both measures would be approved months later and helped reduce market uncertainty. The trade balance ended the year with a surplus of 98 billion dollars, accounting for an increase of 60,6% compared to the end of 2022. Exports closed the year at 339,7 billion dollars and recorded a positive change of 1,7% compared to 2022. Imports recorded 240,9 billion dollars, accounting for a decrease of 11,7% in the annual comparison. The superávit value represent the highest record of the entire historical series.

## FINANCIAL HIGHLIGHTS

In terms of economic and financial performance in 2023:

- **Consolidated revenues** amounted to 4,4 billion euros, up by 11,3% on 2022.
- **EBITDA** amounted to 2,1 billion euros, up by 16,7% on 2022.
- **Operating profit (EBIT)** was 0,8 billion euros, up by 42,2% compared to 2022.
- The **Profit for the year attributable to Owners of the Parent** amounted to 335 million euros (120 million euros for 2022).
- **Capital expenditures** in 2023 amounted to 834 million euros (870 million euros in 2022).
- **Net financial debt** amounts to -133 million euros at December 31, 2023, up of 359 million euros compared to the end of 2022 (-492 million euros).

## NON-RECURRING EVENTS

In 2023, the Group recognized non-recurring net income connected to events and transactions that by their nature do not occur continuously in the normal course of operations and have been shown because their amount is significant. Non-recurring charges include, among others, any goodwill impairment changes, charges associated with corporate reorganization/restructuring, provisions for regulatory disputes and potential liabilities related to them, liabilities with customers and/or suppliers, provisions for onerous contracts and prior-year adjustments.

**Net non-recurring income**

| (millions of euros) | 31/12/2023 |
|---|---|
| Acquisition of goods and services | -6 |
| Employee benefits expenses | -2 |
| **Impact on EBITDA** | **-8** |
| **Impact on EBIT** | **-8** |
| Other Income from Investments | 56 |
| Other financial Income | -5 |
| **Impact on Profit (loss) before tax from continuing operations** | **43** |
| Non recurrent fiscal impact | -15 |
| **Impact on Profit (loss) from continuing operations** | **29** |

In 2023, the non-recurring events are mainly related to the acquisition of the mobile business of the Oi Group in Brazil. In particular, the net capital gain of 56 million euros (303 million reais) arose from the refunding of the portion corresponding to half of the amount that had been deposited in court and subsequently transferred to the Arbitration Chamber. The remaining amount was redeemed by Oi as part of the purchase price of UPI Ativos Móveis attributed to the Company.

## Consolidated operating performance

The operating performance of the Group is almost entirely attributable to the Brazil Business Unit.

| | Consolidated (millions of euros) | | Other operations (millions of euros) | | Brazil Business Unit (millions of euros) | | Brazil Business Unit (millions of reais) | | Changes | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | Amount | % |
| | | | | | | | (a) | (b) | (a-b) | (a-b)/b |
| **Revenues** | **4.412** | **3.963** | **—** | **—** | **4.412** | **3.963** | **23.834** | **21.531** | **2.303** | **10,7** |
| **EBITDA** | **2.134** | **1.828** | **-6** | **-11** | **2.141** | **1.839** | **11.562** | **9.993** | **1.569** | **15,7** |
| EBITDA Margin | 48,4 | 46,1 | | | 48,5 | 46,4 | 48,5 | 46,4 | | 2,1 pp |
| **EBIT** | **827** | **581** | **-7** | **-11** | **833** | **593** | **4.501** | **3.236** | **1.265** | **39,1** |
| EBIT Margin | 18,7 | 14,7 | | | 18,9 | 15,0 | 18,9 | 15,0 | | 3,9 pp |
| **Headcount at year end (number)** | **9.276** | **9.405** | **9** | **10** | | | **9.267** | **9.395** | **-128** | **-1,4** |

The average exchange rates used for the translation into euro (expressed in terms of units of real per 1 Euro) were 5,40158 in 2023 and 5,43993 in 2022.

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Lines at period end (thousands) | 61.248 | 62.485 |
| ARPU (reais) | 29,5 | 26,1 |

REVENUES

**Revenues** in 2023 were entirely related to the Brazil Business Unit and amounted to 23.834 million reais (4.412 million euros), up by 10,7% on 2022.

The acceleration has been determined by **Revenues from services** that totaled 23.071 million reais (4.271 million euros), an increase of 2.242 million reais (442 million euros) compared to 20.829 million reais (3.829 million euros) in 2022 (+10,8%) with mobile service revenues growing 11,2% compared to 2022. This performance is mainly related to the continuous improvement of the pre-paid and post-paid segments, supported by the acquisition of the mobile telephone assets of Oi (Cozani).Revenues from landline telephone services grew by 4.6% compared to 2022, driven by Ultrafibra's pace of expansion.

**Revenues from product sales** totaled to 763 million reais, or 141 million euros (702 million reais, or 129 million euros in 2022).

**Total mobile lines** in place at December 31, 2023 amounted to 61,2 million, a decrease of 1,3 million compared to December 31, 2022 (62,5 million). The change is attributable to the pre-paid segment for -1,6 million and for +0,4 million in the post-paid segment. Post-paid customers represented 45,1% of the customer base of 2023 (43,6% at December 2022).
Ultrafibra's BroadBand activities recorded, as of December 31, 2023, a positive net growth in the customer base of 86.4 thousand units compared to December 31, 2022. In addition, the customer base continues to be concentrated on high-speed connections, with more than 50% exceeding 100Mbps.

**Mobile Average Revenue Per User (ARPU)** for 2023 was 29,5 reais (5,5 euros), up 13,0% compared to the figure posted in 2022.

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| *(millions of reais)* | | |
| **Net revenues** | **23.834** | **21.531** |
| Service revenues | 23.071 | 20.829 |
| Mobile services | 21.780 | 19.594 |
| Fixed services | 1.291 | 1.235 |
| Product revenues | 763 | 702 |
| *(thousands)* | | |
| **Lines at period end** | **61.248** | **62.485** |
| **Average Market Lines** | **61.457** | **62.514** |
| *(reais)* | | |
| **Mobile ARPU (mobile services/average market lines/months)** | **29,5** | **26,1** |

EBITDA

EBITDA in 2023 totaled 2.134 million euros, of which 2.141 million euros attributable to the Brazil BU.

Considering Brazil BU, EBITDA for 2023 amounted to 11.562 million reais (2.141 million euros), up by 1.569 million reais (302 million euros) year-on-year (+15,7%).

EBITDA in 2023 is affected by non-recurring expenses of 42 million reais (8 million euros) mainly related to the development of non-recurring projects and corporate reorganization processes.

EBITDA for the Brazil BU net of the non-recurring component (Organic EBITDA), grew by 14,7% and is calculated as follows:

| | (millions of euros) | | (millions of reais) | | Change | |
|---|---|---|---|---|---|---|
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | Amount | % |
| | (a) | (b) | (c) | (d) | (c-d) | (c-d)/d |
| **EBITDA** | **2.141** | **1.839** | **11.562** | **9.993** | **1.570** | **15,7** |
| +/- Non recurring expenses/(income) | 8 | 24 | 42 | 128 | -86 | |
| **= Organic EBITDA** | **2.148** | **1.863** | **11.604** | **10.120** | **1.484** | **14,7** |

The growth in EBITDA is attributable to the positive performance of service revenues strengthened by the acquisition of the Oi-Cozani activities and the increase in prices of post-paid and TIM Controle tariff plans

The related margin on revenues stood at 48,7%, up in organic terms by 1,7% compared to 2022.

The changes in the main costs for the BU are shown below:

| | (millions of euros) | | (millions of reais) | | |
|---|---|---|---|---|---|
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | Change |
| | (a) | (b) | (c) | (d) | (c-d) |
| Acquisition of goods and services | 1.687 | 1.562 | 9.111 | 8.490 | 622 |
| Employee benefits expenses | 338 | 311 | 1.823 | 1.690 | 133 |
| Other operating expenses | 384 | 367 | 2.075 | 1.992 | 83 |
| Change in inventories | -18 | -6 | -96 | -34 | -62 |

EBIT

EBIT totaled 827 million euros (581 million euros in 2022), an increase of 246 million euros.

Considering Brazil BU, EBIT for 2023 amounted to 4.501 million reais (833 million euros).

Organic EBIT, net of the non-recurring component, amounted to 4.543 million reais (841 million euros), with a margin on revenues of 19,1% (15,6% in 2022), and was calculated as follows:

| | (millions of euros) | | (millions of reais) | | Change | |
|---|---|---|---|---|---|---|
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | Amount | % |
| | (a) | (b) | (c) | (d) | (c-d) | (c-d)/d |
| **EBIT** | **833** | **593** | **4.501** | **3.236** | **1.265** | **39,1** |
| +/- Non recurring expenses/(income) | 8 | 23 | 42 | 128 | -86 | |
| **= Organic EBIT** | **841** | **616** | **4.543** | **3.364** | **1.179** | **35,0** |

PROFIT (LOSS) FOR THE YEAR

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| **Profit (loss) for the year** | **511** | **221** |
| Attributable to | | |
| Owners of the Parent | 335 | 120 |
| Non-controlling interests | 176 | 102 |

CAPITAL EXPENDITURE

All capital expenditure is referred to the Brazil Business Unit. The BU posted capital expenditures in 2023 of 834 million euros, decreasing by 36 million euros on 2022 (870 million euros). Excluding the impact of changes in exchange rates (+6 million euros), the capital expenditures would decrease by 42 millions euros. The decrease is due to the reduced investments relating to the integration of Oi Group activities and the 4G network, which was partially offset by the acceleration of investments in 5G technology and the continuous expansion of FTTH-UltraFibra technology.

## Consolidated financial position and cash flows performance

### Non-current assets

Non-current assets are mainly referred to the Brazil Business Unit.

- **Goodwill** increased by 39 million euros as a consequence of changes in foreign exchange rates applicable to the Group's Brazilian operations. Further details are provided in the Note "Goodwill".
- **Other intangible assets** decreased by 58 million euros representing the balance of the following items:
    - Capex (+184 million euros)
    - Amortization charge for the year (-350 million euros)
    - Disposals, exchange differences, reclassifications and other changes (for a net balance of +108 million euros), of which +93 related to exchange rate differences.
- **Tangible assets** increased by 191 million euros representing the balance of the following items:
    - Capex (+643 million euros)
    - Depreciation charge for the year (-524 million euros)
    - Disposals, exchange differences, reclassifications and other changes for a net balance of +72 million euros of which +88 related to exchange rate differences.
- **Rights of use third-party assets:** decreased by 68 million euros representing the balance of the following items:
    - Investments and increases in finance leasing contracts (+542 million euros)
    - Amortization charge for the period (-444 million euros)
    - Disposals, exchange differences and other changes (for a net balance of -165 million euros) of which +78 related to exchange rate difference.

### Consolidated equity

Consolidated equity amounted to 7.581 million euros at December 31, 2023 (7.911 million euros at December 31, 2022), of which 5.934 million euros attributable to Owners of the Parent (6.366 million euros at December 31, 2022) and 1.646 million euros attributable to non-controlling interests (1.545 million euros at December 31, 2022).

### Cash flows

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Cash flows from (used in) operating activities | 1.918 | 1.782 |
| Cash flows from (used in) investing activities | -1.702 | -1.614 |
| Cash flows from (used in) financing activities | -484 | -376 |
| **Aggregate cash flows** | **-268** | **-208** |
| Net foreign exchange differences on net cash and cash equivalents | 20 | -45 |
| **Net cash and cash equivalents at beginning of the year** | **3.031** | **3.239** |
| **Net cash and cash equivalents at end of the year** | **2.763** | **3.031** |

### Net financial debt

Net financial debt amounts to -133 million euros at December 31, 2023, up of 359 million euros compared to the end of 2022 (-492 million euros).

| (million euros) | Consolidated | | Other operations | | Brazil Business Unit | |
|---|---|---|---|---|---|---|
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Non-current financial liabilities | 4.796 | 4.230 | 1.392 | 1.503 | 3.404 | 2.726 |
| Current financial liabilities | 2.084 | 1.640 | 1.323 | 936 | 761 | 704 |
| **Total gross financial debt** | **6.880** | **5.870** | **2.715** | **2.440** | **4.165** | **3.430** |
| Non-current financial assets | -1.547 | -1.706 | -1.413 | -1.550 | -134 | -156 |
| Current financial assets | -5.466 | -4.656 | -4.414 | -3.744 | -1.053 | -912 |
| **Net financial debt carrying amount** | **-133** | **-492** | **-3.112** | **-2.854** | **2.979** | **2.361** |

Further details are provided in the Note "Net Financial Debt".

## Main commercial developments of the business units of the Group

### Brazil

2023 was marked by the consolidation of TIM as the leader in coverage in the mobile segment, leading the Network Consistency Quality Index. In the fixed sector, TIM maintained its strategy of massive migration of FTTC to FTTH customers, increasing its UltraFibra customer base, in order to maximize customer experience and profitability.

TIM reinforces its search for social developments and digitalization in Brazil, being selected, for the 16th consecutive year, for the Corporate Sustainability Index – ISE B3, in addition to reaching more than 700 thousand people with educational benefits through TIM Institute. TIM's commercial partnership with Descomplica continues to bring great results, with around 400.000 TIM customers registered on the teaching platform, which offers products aimed at the ENEM exam, undergraduate and postgraduate courses, as well as various free courses.

**Marketing and brand positioning**: we reinforced the credibility of our brand, supporting social developments and digitalization in Brazil, while building-up the network quality attribute. We continue to position ourselves at the forefront of society's digital transformation. Our brand tagline "Imagine the possibilities", invites our customers to view the future in a positive light and demonstrates our commitment to being alongside them as they face new challenges, opening a world of opportunities. To reinforce the positioning of our brand as a brand that values our customers and brings advantages beyond just gigabytes of data, in 2023 TIM launched an innovated partnership with one of the most important tech brand, Apple, being the 1st partnership in Latin America of a telecom and Apple One services. We continued to foster our values and beliefs in Diversity in Inclusion, by launching a Gender Equality manifest, alongside the continuous support of different activities.

**Mobile offers**: In 2023, we continued our innovative and pioneering strategy in all consumer market segments (prepaid, control and postpaid) continuing to push the boundaries of the market to keep TIM on the forefront of innovation. We are the first and only ones to explore disruptive partnerships as: Amazon Prime Video with an unique and exclusively partnership; a complimentary in-flight internet connectivity on GOL and LATAM aircrafts; first and only operator in Brazil to embed Apple One on its plans, in addition to the partnership with Zé Delivery, with recharges that generate cashback for the customer to use in the app. We also were the first operator in LatAm to launch a trial offer to encourage the use of the best 5G on Brazil's largest mobile network (30 GB to be used for 30 days totally free), being pioneer in the use of remote e-sim activation on a large scale within Latin American market. Through this strategy, we believe that we will sustain our relevance in the domestic market and allow our customers to take full advantage of growing network capabilities, as we evolve in the 5G era.
**Customer Experience**: We are constantly working to improve our customer experience and satisfaction using technology. In this regard, the evolution of AI solutions and our digital channels are key. In 2023 we started some use cases with generative AI: virtual agent assistant, real time speech and text with call summarization and an evolved chat bot. We also implemented a strategy to position the MEU TIM app as the primary touchpoint for our customers, focusing on a continuous journey informed by research and interviews with our clients. Throughout this period, we consistently introduced new features to our digital channels, leveraging these insights to enhance our ability to promptly address challenging issues that arise for our customers. In 2023, TIM was the leading company in the sector in resolution rankings from Anatel, Procon-SP and Reclame Aqui.
**Sales channels**: We maintained our focus on channel productivity, segmentation, and quality of sales. In 2023, our primary objectives centered around increasing the share of proprietary channels, advancing the internalization process of e-commerce, and redesigning the MEU TIM app to strategically elevate customer experience, expand the user base, and refine their digital journey. We successfully completed the initial phase of internalizing the company's operations and e-commerce system, achieving a new sales record and elevating unassisted sales channels. Our primary focus was on enhancing the Customer Journey by prioritizing the optimization of conversion rates.
**Residential market**: In 2023, we continued focusing in the FTTC to FTTH customer migration, in order to maximize customer experience and profitability while consolidating the asset-light model to expand our footprint through neutral network partnerships as the one with I-Systems.
**Corporate**: For the purpose of shaping a new market in B2B with high growth opportunities, leveraging our strengths in mobile, we will expand using the IoT connectivity as a steppingstone to expand towards solutions and services, scaling up new opportunities in (a) IoT connectivity: mobile coverage, private network; (b) IoT solutions beyond connectivity: smart lighting, precision agriculture, herd management; (c) IoT solutions beyond connectivity (5G): autonomous operations, video surveillance & analytics. We are partnering with leading companies in Brazil in four major verticals: agribusiness, logistics, utilities, and industry.

## Main changes in the regulatory framework

### Brazil

Revision of the model for the supply of telecommunications services
In 2019 Law 13.879 was approved, that came into force on October 4, 2019, establishing a new regulatory environment for the regulation of telecommunications in Brazil. This is the most significant change in 20 years.
The new telecommunications framework allows fixed-line licensees to adapt their contracts from a concession scheme to an authorization scheme. This transition from concession to authorization must be requested by the licensee and requires the approval of the Anatel ("Agencia Nacional de Telecomunicações"). In return, licensees must, among other conditions, make a commitment to investment in expanding fixed Broadband telephony services to areas with no adequate competition for these services, in order to minimize inadequacies and inequalities between areas of Brazil.
The change also affects the roles for authorizing the use of radio frequencies, establishing subsequent renewals (previously limited to only one) and allows the exchange of radio frequencies between operators (secondary spectrum market).
In June 2020, Decree 10.402 was published, which governs the procedure for adapting the concession to the authorization regime, as well as the definition of the criteria for calculating investment commitments. The Decree also established guidelines for the extension of radio frequency authorization, which will be held by Anatel to guarantee greater security for investments in the sector.

Public policies applicable to telecommunications sector
Decree 9.612/2018 ("Connectivity Plan") established another series of important rules, with a series of guidelines for the adaptation of conduct terms, the onerous concession of spectrum authorization and regulatory acts in general, including: (i) expansion of high capacity telecommunications transport networks; (ii) increased coverage of mobile Broadband access networks; and (iii) broadening the coverage of fixed

Broadband access network in areas with no Internet access through this type of infrastructure. This Decree also establishes that the network resulting from the commitments must be shared from the moment it enters into service, except where there is adequate competition in the relevant reference market.
In relation to the deadlines for the development of pipelines not compliant with current regulations, authorizations for user licenses to radio frequencies, and the introduction of other statutory provisions generally, planned investments will focus primarily on the expansion of mobile and fixed-line Broadband networks and on specific areas of the country. Telecommunications networks built under the investment plan will have shared access. The decree was amended by Decree 10.799/2021, which included public policies priorities for the coverage of the "areas of census with public schools"; coverage of towns not served by mobile telephone and the expansion of fixed access to Broadband in places without access. The decree was amended by Decree 11.299/2022, which envisaged the possibility of a private federal network managed exclusively by Telebras (Brazilian state company).
The decree also provides for the assignment of funds for the approval of projects approved by Connected Cities and for the temporary supply of fixed or mobile Broadband. In addition, it regulates the private federal network, which can be carried out by other public or private entities or organizations and the criteria for the use and management of the network will be defined by the Federal Government under the terms established in a deed of the Ministry of State for Communications.
In 2020, decree No. 10.480/2020 was published by the federal government, which regulates the antennas law (law 13.116/2015) with the purpose of stimulating the development of the telecommunications network infrastructure. This decree fosters development of telecom network infrastructure and is a major step towards unlocking historical problems in the sector preventing its development (free right of way on highways and railways, positive silence, small cells, dig once are some of the examples of such regulatory removal of historical problems).
That same year, law 14.109/2020 authorized the use of FUST ("Fund for Universal Access to Telecommunications Services"), including by the private sector, to expand connectivity in rural or urban areas with a low human development Index (HDI) as well as policies for education and tech innovation of services in rural areas. In June 15, 2021, Provisional Measure 1.018/2020 was transformed into Law No. 14.173/2021, reducing charges for satellite internet terrestrial stations and changing some of FUST application rules. The law reduces FUST collection between 2022 and 2026, to telecommunications operators that run universalization programs approved by ANATEL Board of Directors with resources from the operators themselves . The benefit will be valid for five years from January 1, 2022 and will be progressive: 10% in the first year; 25% in the second year; 40% in the third year; and 50% from the fourth year onwards. In addition, the new legislation removes the obligation to share towers within a distance of less than 500 meters from each other. The elimination of this obligation is essential for the deployment of 5G in Brazil, including to ensure the densification scenario expected for the new technology.
In the first quarter of 2022, the Federal Government signed Decree 11.004/2022, which regulates the use of FUST and establishes directions for the use of resources by the Management Board, instituted in June 2022. At the beginning of July, the internal regulations of the FUST Management Board were published and a budget for 2023 was proposed for digital inclusion. In the second half of 2022, the Management Board defined, in its Res. 02/2022, further details on the mechanisms for using the FUST, clarifying the role of the financial agent, the accountability mechanism and the ANATEL function in the application of the reduction of the contribution in the waiver mechanism. The Board also unveiled connectivity programs for public elementary schools and projects to expand connectivity and grants for low-income users.

Revision of the service quality regulation

In December 2019, ANATEL approved the new RQUAL ("Regulation of Quality of Telecommunication Services"), based on a reactive regulation. In this new model, quality is measured based on three main indicators - a Service Quality Index, a Perceived Quality Index, and a User Complaints Index - and the results are classified into five categories (A to E). Based on this reactive regulation, ANATEL can take measures according to specific cases, such as consumer compensation, adoption of an action plan, or adoption of preventive measures to ensure improvements in the quality standard.
After a joint work of Anatel, operators, and the ESAQ ("Quality Assurance Support Authority") to define the objectives, criteria, and reference values of the indicators, at the end of November 2021, ANATEL Board of Directors 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 published 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 a new proposal of method and parameters for the definition of the quality seals.

Revision of the General Consumer Rights Regulation

In November 2023, Anatel published the Resolution No. 765/2023, the New General Consumer Rights Regulation ("RGC"), revoking the Resolution No. 632/2014 and establishing new general rules for customer service, billing and offers, applicable to fixed, mobile, broadband and cable TV customers.
The new RGC will come into force in nine months with regard to general rules and in 15 months with regard to registration of offers and price adjustment rules.

Data protection

On August 14, 2018, the LGPD ("General Data Protection Law" - Law 13.709/2018) was promulgated.
In December 2018, Provisional Measure 869/2018 created the ANPD ("National Data Protection Authority"), also extended the entry into force of the Law to 24 months (August 2020).
In June 2020, Law 14.010/2020 deferred the coming into force of the LGPD, only for the provisions related to fines and penalties, to August 2021. The other provisions of the law took effect in September 2020. In addition, Decree 10.474/2020 came into force in August 2020, establishing the ANPD (Brazilian National Data Protection Authority), as responsible for, among other things: developing guidelines for the National Data Protection Policy; supervising companies and applying sanctions; and issuing regulations and procedures on personal data protection.
In August 2021, articles relating to supervision and sanctions by the National Authority (ANPD) came into force.
In October 2021, the regulation (CD/ANPD no. 1 of October 2021) was approved for the supervision and sanction administrative process, under the scope of competence of the ANPD.
In January 2022, the regulation (CD/ANPD no. 2 of January 2022) was approved implementing the LGPD for small processing agents.
In June 2022, a Provisional Measure nº 1.124 was published, transforming the Brazilian National Data Protection Authority ("ANPD") into an independent agency of special nature. The Provisional Measure has an immediate effect but must be subject to a Congressional approval to be made into law.
In October 2022, Provisional Measure 1124 was converted into Law 14.460/22, transforming the Brazilian National Data Protection Authority ("ANPD") into an independent agency of special nature.
In December 2022, the new incident report form was published, with the obligation to report any breach of personal data.
In January 2023, the ANPD became a self-sufficient entity connected to the Ministry of Justice and Public Safety.

Digital Transformation, Internet of Things and Artificial Intelligence

In March 2018, the E-Digital Decree (9.319/2018 Decree) was published, in order to identify about 100 strategic actions to encourage competition and the country's level of online productivity, while increasing connectivity and digital inclusion levels. These actions seek to address the digital economy's main strategic questions, including connectivity infrastructure, data use and protection, the IoT and IT security.
In November 2022, the MCTI (Ministério da Ciência, Tecnologia e Inovação) published the Order ("Portaria") no. 6.543, which approved the Brazilian digital transformation strategy ("E-Digital") for the 2022-2026 cycle. This regulation has established actions focused on assuring growth of the telecommunications market, industry 4.0, education, the market and international practices, the digitization of government platforms, privacy and security.
The Decree on the National Plan for the Internet of Things (Decree 9.854/2019) was published in June 2019, to regulate and promote this technology in Brazil. The IoT is referred to as the "infrastructure integrating the provision of value-added services with the ability to physically or virtually connect things using devices based on existing information and communication technology and their evolution, with interoperability". The Decree lists the following topics, defining them as necessary to further support the National Plan for the Internet of Things: (i) science, technology and innovation; (ii) international integration; (iii) education and professional training; (iv) connectivity and interoperability infrastructure; (v) regulation, security and privacy; (vi) economic feasibility.
In order to develop an IoT environment in the country, Law 14.108/2020 was passed. This law exempts base stations and equipment that integrate machine-to-machine (M2M) ecosystems from FISTEL (an administrative tax collected by Anatel) for 5 years and, in addition, extinguishes the previous license. The definition and regulation of M2M communication systems are established by Anatel.
In April 2021, the Brazilian Strategy for Artificial Intelligence was published by MCTI with the objective of guiding the actions in favor of the development of research and innovation in solutions with the use of Artificial Intelligence, as well as its conscious use and ethical and ensuring innovation. In February 2022, a commission of legal experts was founded in order to design a legislative proposal that addresses the challenges and opportunities of IA in Brazil. In April 2022, a Public Consultation was launched by the Senate in order to discuss the new regulatory framework for artificial intelligence in Brazil. The Public Consultation is being held by a commission of specialized jurists that will address economic-social contexts and benefits of artificial intelligence (AI); sustainable development and well-being; innovation; AI research and development (resource

funds and public-private partnerships); public security; agriculture; industry; digital services; information technology; and healthcare robots.
In 2023, Bill No. 2.338/2023 was introduced to the Brazilian Congress, as the result of commission of legal experts' work. The proposal establishes principles, rules and guidelines to regulate the development and application of AI in the country. For 2024, a new version of Bill No. 2.338 is expected from the rapporteur of the Temporary Committee.

5G Auction
In February 2021, Anatel Board of Directors approved the public notice for the 5G Auction. After which, Brazilian Federal Court of Auditors (TCU) assessed the matter, which was completed on August 25, 2021. The auction returned for analysis to ANATEL, which on September 24, 2021 approved the notice. The auction envisaged in the second half of 2021 was held in November 2021. TIM acquired 11 lots, with a total value offered of 1,05 billion reais (0,2 million euros), in 3 frequency bandwidths: 3,5 GHz, 2,3 GHz and 26 GHz. The bandwidths acquired have a series of obligations that must be satisfied with financial contributions or the construction of mobile and fixed network infrastructures. Consequently, TIM guarantees the spectrum capacity necessary to pursue its growth nationally on the mobile market, being ready to respond to its customers' demands and to explore new applications and develop innovative solutions calling for high-speed connectivity and capacity.
The main commitments associated with each bandwidth are:

- 2,3 GHz: 4G coverage in certain municipalities and areas (south and south-east regions);
- 3,5 GHz: 5G coverage in all municipalities with a population equal to or greater than 30.000 inhabitants until 2029, plus fiber backhaul obligations in 138 municipalities plus additional contributions to a new entity (EAF) to carry out the following projects: clean-up 3,5 GHz, deployment of fiber in Amazonia and building a private network for exclusive federal government use;
- 26 GHz: contributions to a new entity (EACE) to carry out connectivity schools projects.

Standards for reporting sustainability information
On October 20, 2023, Brazil's Securities and Exchange Commission (CVM) published Resolution No. 193, which provides for the preparation and disclosure of financial information reports related to sustainability, based on the international standard issued by the International Sustainability Standards Board (ISSB). The CVM points out in the document that the decision took into account the recommendations of the International Organization of Securities Commissions (IOSCO), based on the conclusion that these standards provide an effective and proportionate global framework of information aimed at investors, serving to help global financial markets assess the risks and opportunities related to sustainability.
The resolution establishes, on a voluntary basis, the option for publicly traded companies, investment funds and securitization companies to prepare and disclose financial information related to sustainability, based on the international standard issued by the ISSB, as of the fiscal years beginning on or after January 1, 2024. In addition, it establishes for publicly traded companies the obligation to prepare and disclose financial information related to sustainability, based on ISSB standards, as of fiscal years beginning on or after January 1, 2026.
With this resolution, Brazil became one of the pioneering countries in adopting the ISSB standards.

## Competition

**Brazil**
In 2023 the macroeconomic scenario recorded a faster than expected recovery of all the main indicators (GDP growth, inflation, interest rates). This recovery can increase the purchasing power of the population. The latest inflation estimates indicate an inflation rate of 4,5% at the end of 2023, in line with the central target, which, added to a positive political scenario, has led to S&P lowering its country risk (the lowest level in the last 12 months). The government was able to address key economic issues and the Minister of Economy committed to fiscal responsibility, overcoming previous concerns. The tax reform has been approved, with some exceptions that will be reviewed by Congress. The objective of eliminating the public deficit in 2024 was maintained, despite internal differences between Lula and Haddad. The economy continues to perform well, with the Ibovespa growing by approximately 22% in 2023 and the interest rate at 11,75% at the end of the year (from 13,75% at the end of 2022). The market's beliefs regarding the decline in interest rates have been confirmed, despite the international context with the continuation of the war in Ukraine and the conflict in Israel, but some concerns about inflation remain due to: i) fears that the conflict between Israel and Hamas could impact fuel prices; ii) the increase in energy prices (greater consumption due to the warmer climate). The next planned tax priorities are already on track: regulation of sports betting and gambling, taxation of offshore and exclusive funds.
Forecasts for the next few years suggest a more favorable context: better economic growth prospects, with lower interest rates, positive for companies to attract investments and improve their cash flow, a more attractive context for the growth of foreign investments, but with the fear of a slowdown trend. Favorable

political situation for the approval of key reforms, inflation under control and falling interest rates stimulate consumption and reduce pressure on operating and financial costs. The Brazilian stock market is back positive with record values and the unemployment rate is at its lowest.
The new government has maintained financial support for people with lower incomes and sought to increase the minimum wage, which, together with a lower unemployment rate, is supporting consumption, including that of telecommunications services.
The mobile telecommunications sector consolidated in 2022 with the finalization of the sale of Oi. The buying companies are migrating their customer base and infrastructure. With one operator fewer, the sector has seen some rationality prevail in the market and in competition, with service providers maintaining their focus on the development of offers that are increasingly attractive to consumers, not only in terms of price but also with additional services, for example through partnerships with companies supplying streaming of video contents. The great challenge consists of increasingly involving customers, offering a more convenient, more fluid end-to-end experience with all-digital integration solutions in order to reduce the churn rate and seek to monetize the customer base.
In the pre-paid segment in December 2023 the customer base decreased by 4,0% year-on-year. After the disconnection of the customer base acquired from Oi, the market returned to the 2020 trend of reduction in the pre-paid market. With the exit of Oi (the most aggressive operator in terms of price) and the consequent decrease in competition, the market should become more rational. The main aim of market operators was to increase the percentage use of services, leveraging the SIM card consolidation process in progress on the market, encouraging migration towards weekly (and monthly) or hybrid (Controle postpaid) plans, offering a range of service bundles according to the needs of customers (unlimited voice calls or data packages). This strategy aims to improve the customer base mix and ensure greater stability (and a reduction in the churn rate) and the growth in ARPU.
In December 2023, the post-paid mobile segment recorded an increase in the customer base of 6,3% on an annual basis, thanks above all to the post-paid ex-M2M (+4,8 million) but also to the post-paid segment M2M (+4,0 million). This market will likely continue to be affected by migrations from pre-paid to hybrid "control" segments. After the exit of Oi we expect greater market rationality. This growth is based on offer segmentation strategies, through the introduction of distinctive characteristics in the use of data services (e.g. unlimited use of data on specific apps such as WhatsApp, Facebook, Twitter, Netflix, etc.) in pursuing a “More for More” policy logic that aims to guarantee a greater stability of prices and an effective repositioning of the customer base on higher value offers (voice + data + bundle with OTT contents).
Service quality is still an element of differentiation. The telecommunication suppliers that have invested more in the development of 4G networks (coverage and capacity) and in the improvement of processes shaping customer experiences will have a greater capacity to apply premium prices because customers increase their expectations and assign increasing importance to the quality of data services and higher value contents. The main mobile operators already provide 4G coverage for over 100% of the Brazilian population (up to November 2023), with the three main operators offering average 4G availability in excess of 94% (according to the July 2023 Open Signal report).
2023 was a year of growth in 5G coverage and customer base. In December 2023, 5G coverage exceeded 300 cities and the customer base reached 20.5 million (8,0% of the market). Operators' ultimate goal is to be able to increase mobile ARPU due to the consumption of new services enabled by 5G (e.g.: latency-based rates, additional features such as entertainment packages). The 5G is expected to bring new applications for B2B segment in a lot of industries.
The fixed Broadband market registered a slowdown growth in the last year with growth of +4,7% in December 2023 (YoY), against +8,9% in December 2022 (YoY), maybe impacted by smaller Internet service providers (ISPs) underreport. The growth comes primarily from ISPs (+1,8 million year-over-year in December 2023, representing 86% of total market growth of 2.1 million), which tend to offer cheaper services and reach areas where Traditional players have limited infrastructure, thanks to a mix of organic growth and strategic acquisitions, which has led to the increase in the number of strong market players, each eager to expand and strengthen their regional presence across the country. Since 2021, some significant IPOs have been finalized (Brisanet, Unifique and Desktop) besides other investment in ISPs, which brought some capital to increase coverage. As a result, traditional incumbents have found it difficult to grow their customer base (Oi down 5,2% year-on-year, Claro up 2,3%, Vivo 4,0% - the exception being TIM, up 11.9%). The population penetration rate has already reached approximately 65% of the 74 million families and a phase of maturity has begun, but with room for growth in the medium term compared to many other countries, supported by the improvement of the macroeconomic situation.
In this context, in 2017 TIM adopted a commercial strategy to expand coverage and its customer base, offering Ultrabroadband Internet services, mainly through FTTH, not only in some of the largest cities of Brazil, but also in cities where opportunities are available for a similar high-quality service. In addition, focusing on reducing friction points to improve retention. TIM has a customer base of over 800 thousand users as of December 2023 (11,9% growth year on year). In order to achieve faster and smarter growth, the way was to carve-out fiber assets and deployment of asset light model to accelerate footprint growth. In a recent OpenSignal report, TIM was recognized as first place for consistent broadband quality.

There is also competition from other services outside the telecommunications sector, such as global and local OTT providers, who offer internet-based content and services, including voice calls and messaging, without paying for network infrastructure. OTT applications have become so important to customers that in many cases they are offered by mobile operators as free services. OTT communications applications have a business model that requires increased network traffic, but it is telcos that must finance and make the network infrastructure investments needed to handle the increased internet traffic generated by OTT applications.

## Research and development

**Brazil**

The Architecture & Technology Evolution department is responsible for Research and Development (R&D) activities; its main tasks are to define technological innovation for the network and information technology, to identify evolutionary needs for new technologies and devices, converging architectonic guidelines and strategic alliances to use the new business models and guarantee that the network infrastructure evolution is in line with the corporate strategy.

In 2023, the Architecture & Technology Evolution department was made up of more than 50 people, including telecommunications, electrical and electronic, IT and other specialists with professional skills and experience, which cover all areas of network and IT knowledge, meeting the need to innovate and support research and development activities.

TIM Lab is the multifunction environment focused on innovation, which also plays a strategic role in supporting credibility tests and trials, as well as PoCs (proofs of concepts), collaborating with the main suppliers and technology partners through knowledge sharing, technological infrastructure for interoperability tests, staff assessment and the definition of technical requirements; in synergy with the R&D department, it facilitates innovation activities and promotes collaborations with universities and research institutes.

The TIM Lab Innovation Center has moved to São Cristóvão, Rio de Janeiro, in the State of Rio de Janeiro, has a surface area of 850 m2 and can also be used as an innovation space open to new opportunities, guiding innovation on the Brazilian telecommunications market and acting as national point of reference for R&D.

For 2024, TIM Lab is planning its expansion through investments from strategic TIM S.A. partners. This expansion is planned to happen in a new dimension, creating the TIM Customer Experience Center (CEC), in order to strength the validation capacity regarding new software, features, solutions, technologies, services, and devices, and to grow its current structure in order to carry and develop more businesses and opportunities.

The Architecture & Technology Evolution Department has continued to work on projects and initiatives for the evolution of the business of TIM, which can be grouped into the following macro groups:

- next generation network;
- with positive impact on the environment and society;
- future Internet applications;
- Open Lab Initiatives.

Next generation network projects

The reassignment of the 1.800 MHz, 850 MHz and 2.100 MHz bands from 2G/3G to 4G, with a multilayer distribution configuration gives TIM S.A. important competitive advantages:

- a reduction in costs for LTE implementation, the extension of the LTE coverage area and the activation of the carrier aggregation strategy, improving the customer experience through a higher throughput;
- the best indoor coverage. In addition to the expansion of coverage, use of the 850/1.800/2.100 MHz bandwidths could increase the capacity in cities already covered by the LTE bandwidth at 2,6 GHz, at limited additional cost.

In this scenario, over 99% of current LTE terminals are compatible with the 1.800 MHz, 2.600 MHz bands and other available bands. Therefore, the implementation of the multilayer LTE continues to be an excellent strategy that benefits from the spread of devices.

At the end of 2022, TIM S.A. covered all cities in Brazil, assuring 100% of nationwide presence. One year after, in December 2023, all Brazilian cities had also had LTE coverage, through the B28 low band (700 MHz) which spectrum cleaning was completed in June 2019. These initiatives have anticipated TIM's Industrial Plan in one year.

Also in the end of 2023, TIM S.A. deployed the n78 band (3.500 MHz) in more than 200 cities, including all the Brazilian capitals, with a 5G SA (Standalone) approach. Beyond that, TIM has almost the sum of its competitors' antennas.

Projects entailing a reduction of energy consumption

The expansion of "LTE RAN Sharing", in partnership with other mobile operators in Brazil to fulfill regulatory obligations from the 4G spectrum auction, aims to define the architectural requirements, technical assumptions and specifications for the "LTE RAN sharing" solution, optimizing network resources and costs. At

present, this is the largest agreement for RAN sharing worldwide and it supplies 4G services to the main cities of Brazil.
The RAN sharing agreement allows TIM S.A. to promote the spread of LTE in the Brazilian rural areas, thanks to effective sharing of spectrum, access and backhaul. After Oi's acquisition, the LTE RAN Sharing, between TIM S.A. and Telefónica based on the MOCN architecture, had expanded the benefits and efficiency of this technical model. In this case, the energy consumption recorded for the site, dependent on the access technology and coverage conditions, showed a reduction of up to 10%.
In December 2019, TIM S.A. and Telefónica stipulated new sharing contracts aimed at increasing the network cost efficiency through the following initiatives:

- Single network: sharing of 3G / 4G networks in cities with less than 30k inhabitants, using the MOCN architecture, to maintain the infrastructure of only one of the operators in these cities, allowing completely redundant sites to be turned off. At the end of 2023, 11% of the agreement perimeter has been deployed, generating energy efficiencies around 1,0 million reais (0,2 million euros). This perimeter can deliver additional savings around 15 million reais (2,8 million euros) in 2024 regarding Tower Co costs (housing, rental, base fee etc.) after tower dissolutions. The rollout of the rest of the project will continue in 2024.
- 2G Switch-off: nationwide sharing of the 2G network using GWCN technology, enabling both operators to switch off part (approximately 50%) of their network with the same technology, consequently saving on energy and maintenance costs.After a minimum sharing period, operators will be able to completely shut down their remaining 2G networks. At the end of 2023, around 40% of the agreement perimeter has been deployed, generating energy efficiencies around 6,0 million reais (1,1 million euros).

<u>Next generation network projects, future Internet applications, positive impact on the environment and society</u>
**UX Mapping & Device Healing** – TIM S.A. started in 2023 the development of an application that will be embedded in Meu TIM Android App and will be responsible for collecting information regarding user experience (UX) associated with network and device information, that will be used as one of the inputs for the network planning and optimization, and for troubleshooting activities. This first phase of the project will go under production rollout in Q1-2024. Later, the application will evolve to assess the device configuration and execute healing routines (procedures to reconfigure the smartphone to better fit the network), if the user consents to. This device healing will be connected to Network / IT database healing, providing an E2E process to improve user experience. This second phase is foreseen to be delivered in Q2-2024. The total cost of the project is evaluated in approximately 1,4 million reais (0,3 million euros).
**Internet of Things** - It was back in 2018 that TIM S.A. launched the very first commercial NB-IoT network in South America, to develop innovative services, aware that the mass introduction of the IoT can change the mobile telephony market considerably, because it leverages the creation of services and - amongst others - is a potential tool for agricultural uses, the connection of cars, traceability solutions and social-health care. In 2023, TIM S.A. has leveraged public services through its NB-IoT coverage, becoming the main public-private partner through delivering solutions for efficiency energy in public lighting: TIM S.A. has 150 thousand NB-IoT smart lighting equipment deployed (27 times more compared to the previous year).
**Agribusiness** - Since 2018, TIM S.A. has been focusing on agri-food potential in Brazil, offering connections in rural areas (not only for business applications but also for the digital inclusion of agrobusiness employees and residents of small towns). In 2020, TIM strengthened its position in relation to vertical agriculture, with the creation of the ConnectarAgro ecosystem which brings together TIM S.A., solution providers for the agri segment and telecommunication solution providers.
**5G** - Commercial launch happened in 2020 in through dynamic spectrum sharing (DSS) technology, exploiting the legacy spectrum. In 2022, 5G Standalone (SA) was launched in all the Brazilian capitals, and in 2023 TIM S.A. has consolidated its 5G coverage leadership in more than 200 cities. TIM S.A. was also recognized by Open Signal with the first Consistent Quality award[9].
**Connected Car** - In 2021, telemetry and connectivity solutions for Connected Car user services were developed for Stellantis, designed to support the advanced telemetry and Stellantis assistance services for its vehicles, as well as Wi-Fi connectivity and other added value services for car owners.
**5G for Automotive Sector** - In 2023 TIM S.A. has joined the Conecta 2030 Project, a collaborative effort, with partners as IPFacens (Research Institute of the Facens University Center) and Stellantis, that it has received a 3 million reais (0,6 million euros) grant from the Brazilian government and is dedicated to enhancing pedestrian, and cyclist safety through cutting-edge technology and 5G connectivity. For TIM S.A., the main goal is developing new product / service that could bring us new revenue through intellectual property.
**Private Networks** - In 2022 TIM started offering private networks, with edge core and Multi-Access Edge Computing (MEC) capabilities on the customer premises, allowing the deployment of high throughput, low-latency, and high availability services on 5G. Also in 2022, TIM ran a Proof of Concept with a customer in the automotive industry, successfully demonstrating an automated quality conformance use case. The first commercial deployments started in 2023, at customers in the agri-food and port logistics segments.
**Open RAN** – In 2020, TIM S.A., Telecom Infra Project (TIP) and Inatel launched the Open Field Program to leverage open and disaggregated solutions for the Radio Access Network (RAN). The program was finished in

2023, with field tests at Inatel campus in Santa Rita do Sapucaí – MG. During this year, it was possible to validate two OEM (Original Equipment Manufacturer) vendors in 4G and 5G Open RAN technologies, and also conclude that Open RAN environment is not totally mature yet. In 2024, TIM S.A. is evaluating new other Open RAN initiatives to join to continue leveraging this technology.

Open Lab initiatives
TIM S.A. joined the Telecom Infra Project (TIP) in 2017, an initiative founded by Facebook, SK Telecom, Deutsche Telekom, Nokia, Intel and other companies, which aims to create a new approach to building and implementing the telecommunications network infrastructure. TIM S.A. transformed TIM Lab into the first TIP Community Lab in Latin America, available to TIP members to create universal standards for solutions (initially transport networks, Open Optical Packet Transport working group), to overcome the challenges related to interoperability of different supplier products.
In 2018, TIM S.A. also joined, together with Vodafone and Telefonica, a new working group within the TIP, called DCSG (Disaggregated Cell Site Gateway). This project was an opportunity to define a common set of operator requirements and coordinate with companies that manufacture devices, which have wider and more flexible capacities and are cheaper; in June 2023, the main functions of the solution were demonstrated with the help of Facebook, core EDGE suppliers and TIP members.
In 2020, TIM S.A. and the TIP partners completed their validation of the TSS (Total Site Solution), an inexpensive, unrestricted 4G NodeB solution, powered by solar energy and connected by satellite to the core TIM S.A. network, to be used in remote zones with low population density.
Also in 2020, TIM also adhered to the OpenRAN initiative with the OpenField project, to validate OpenRAN 4G and 5G solutions focused on the separation of hardware and software at RAN level.
This last initiative was finished in March 2023, when TIP has scaled down its activities in Latin America, but it before this it was possible validate the Open RAN 5G SA TIP test plan with one 5G Open RAN vendor. In 2023, it was also possible to conclude that Open RAN environment is not totally mature yet.

## Human resources

**Brazil**
The Human Resources Executive Board, which has been renamed People, Culture and Organization Executive Board as of July 2022, is structured with the purpose of ensuring the best practices related to people management to support the evolution of the Company, aligned with technological transformations and business challenges, the commitment to sustainability and the appreciation of diversity and inclusion. In addition to always seeking the evolution of the work model, the construction of ecosystems for the continuous development of skills, the promotion of care and well-being for our employees in all dimensions.
Having an engaged team is essential to overcoming challenges and achieving better results. At TIM, the relationship of transparency and respect with all levels of the company strengthens our pride and sense of belonging, as well as a clarity as to the direction we are heading. These factors are differentiators in the development of our employer brand and employee experience.
In 2023, we had a 98%(+2pp) participation in the Climate and Engagement Survey, confirming the consistency of this process as one of the most important means of listening to people and providing the opportunity to contribute toward the evolution of our company.
We maintained the result as the previous year, with favorability of 86% (0pp), placing TIM 14pp above the Global Telecom Market and 10pp above General Market Brazil from Mercer, a consultancy partner for the methodology and application of the research.
In 2023, we recorded growth of 1pp in 3 research dimensions, Culture of Integrity (-1pp x P90), Engagement (-1pp x P90) and Healthy Environment (+1pp x P90), thus being above or close to the classification of Best Practices according to with the favorability achieved.
Among the issues with the greatest growth, those related to trust in the Ethics Channel (+2pp) and Appropriate conditions for each work model (+2pp) stand out.
The integrity culture remains the most recognized dimension, reaching a 92% favorability, with +1pp growth and needing a further 1pp to rank in the Best Practices market (P90). Emphasis on the promotion of an inclusive environment with favorability of 96% (0pp) and +7pp x P90 and an environment free from harassment and discrimination with favorability of 94% (0pp) and +2pp x P90, corroborating TIM's focus on the topic of Diversity & Inclusion.
In 2024, we will continue implementing structured actions for the well-being of employees and readiness for change, through actions that favor organizational agility, aiming to maintain care for people and the search for innovation.

People
The Brazil BU ended the year 2023 with 9.267 employees across Brazil. These employees – with their histories and knowledge – represent the Company's intellectual capital and act as engines for business development.
Around 70% of our employees have a college degree or are currently attending college, and 9,4% have postgraduate degrees.

In 2023 we also achieved the ESG goals established with the market in the areas of social representation. We have 41% of self-declared black employees in our workforce and 36% of leadership positions are held by women. The numbers and results show that TIM has a diverse and highly qualified team of employees to meet the challenges of the Company's future. The workforce is rounded out by 179 interns and 176 young apprentices.

Development and Training
In 2023, we have once again evolved people development practices, connected to the new Cultural Values and the needs of the organization, with transversal and customized actions for different audiences, to support the achievement of the objectives of the strategic plan.
Once again, we evolved the performance management process through feedback from TIM itself, to add even more value to eligible employees. In addition to including new elements of Cultural Values in the TIM Competency Model, we also enhanced the role of Leadership in project evaluation.
Throughout 2023, the following were contemplated: the closing of the 2022 Performance cycle and the launch of the 2023 Performance cycles.
At the end of cycle 22, we achieved 94,9% participation in the Assessment stage and 93,8% adherence to the Feedforward registry.
In July, the first assessment of leadership and peers/clients by projects took place, opening the 2023 cycle with improvements in the experience of our internal clients, reaching 97% adherence.
At the end of 2023, the main novelty was the inclusion of the Store and Call Center attendants, as newly eligible for the process, who will be evaluated on Attitudes expected from our new cultural identity.
With these results, we continue the challenge of evolving the development and feedforward culture, with a 100% customized, agile and inclusive process.
In our people development strategy, we continue to use the same premises: customization and added value.
For leadership development, for example, we continued the E-Coaching program for first management and the Intercompany Mentoring program for women. At the end of the year, we modeled and implemented a pilot Leader Coach class, a program that will begin its roll-out in 2024 for the entire company leadership.
In the E-Coaching program, 4 new classes were launched, totaling 17 classes since its launch. 78 leaders - most of whom were promoted to their first management - experienced the digital journey that was remodeled, with individual and collective short-coaching sessions with a coach certified by the ICF (International Coaching Federation). To date, 383 people have completed their journey since the program was launched in 2020.
At Intercompany Mentoring, in partnership with the "Positive Women" initiative, we concluded the 3rd wave of the program with 193 women from 23 different companies participating in a 6-month journey with mentoring sessions, lectures and peer-to-peer meetings.
Up to date, 389 women have been impacted by the program, which aims to promote reflection, awakening empowerment and accelerating the development of women's careers.
In September, society was informed, during TIM Talks, about the continued development of mentees participating in all previous waves, in a Hub that will be launched in 2024.
Two other initiatives launched in 2023 that contributed to people's development were the Mentoring classes for Interns and Culture Ambassadors, involving 81 interns and 45 ambassadors respectively. In mentoring for interns, we trained and invested in 58 internal mentors. When mentoring ambassadors, we count on renowned professionals in the market, with experience in cultural transformations to support them in their work.
For Talent Management, in 2023 we invested in a Talent Analytics study and implemented a Talent Committee involving executives from the company's operations area (Chief Revenue Officer) to not only map the talents of the board, but also refine the methodology designed internally for roll-out with other areas of the company.
For senior leadership, we continue to map the executives who will guarantee the long-term continuity of the business. Another wave of a Top Executive Assessment in partnership with an external Leadership Advisory consultancy helped us map and accelerate the development of senior executives who will feed the company's succession plan.
TIM also continued personalized learning journeys for the different areas based on the different needs related to the activity.
To support and evolve with the learning process, we prioritize cultural education, upskilling and reskilling programs and actions, as part of our TIM Mais Knowledge Learning Hub, which consolidates individual and collective journeys for employee learning on strategic business topics, such as digital mindset and skills, innovation, governance, customer experience, change management, among others.
TIM + Knowledge is made up of three fronts: You + TIM, which brings together everything an employee needs to know about our TIM: information about the organization, strategy and evolution of our business, ESG commitments, values and guidelines; You at the Front, which brings together everything an employee needs to be the professional of the future and boost the development of their career; Você + Tech, which brings together everything an employee needs to develop the necessary skills and act with technical excellence in their area, promoting digital acceleration.
From the perspective of education and learning initiatives, in 2023, TIM's strategy and focus was to support the evolution and transformation of the business through the development of new digital skills through the Onda Digital Learning Program (soft and hard skills)

In total, there were 8 skills that included learning initiatives, totaling the participation of more than 3.000 people impacted in different business areas.
For professionals mapped in JAS, more than 700 people were prioritized in upskilling and reskilling journeys and certifications in new capabilities.
Furthermore, we strengthened Plural, an internal multiplication program that aims to support the process of developing essential technical and behavioral skills for the business. The program provides multiplier collaborators with a leading role in the creation of content and connects people in a learning network where knowledge sharing happens in a strategic, democratic, customized and flexible way on topics such as Excel, Power BI, Storytelling in Data, Cloud, Agile, among others. Through a recognition program, multipliers can score and exchange their points for educational actions and benefits, thus valuing their contribution to the business in sharing their knowledge and supporting the retention of these specialists in the company.
TIM also offered transversal initiatives such as:

- **Conecta**: Onboarding program, to integrate new employees and instill pride in being part of the company. With a dynamic and structured journey, it offers welcoming, collaborative and learning activities, with topics such as ethical conduct, combating corruption, the company's sectoral context and competitive scenario, among others.
- **TIM Talks**: TIM's annual Training, Development and Communication Program, available to employees and society as a whole. In 2023, we will address how we enable technology and innovation in a sustainable way in favor of ESG and how we use our purpose and culture as a lever to enhance our deliveries and create value for employees, customers and society. Therefore, our central theme was "Purpose that Transforms Futures". The event took place from 10/17/2023 to 11/01/2023, with a hybrid opening ceremony, which addressed how ESG permeates an organization's strategy and practice. Subsequently, 27 actions were carried out, in different formats (online and hybrid), with the participation of partners from the Positive Women Ecosystem and TIM commercials. The panels were broadcast on TIM's YouTube channel, open to all of society, reinforcing our commitment to the democratization of knowledge and inclusion. with 3.551 live appearances and over 240.000 post-event views.
- **Bem + Estar Week**: In September 2023, Bem + Estar Week had a reflective and innovative approach, through the theme "What is important to you?". We promote the union of the pillars of Environment, Health, Safety and Diversity and Inclusion, in order to provoke reflections on individual well-being, based on self-care, collective well-being, by awakening social awareness and the well-being of the our planet, that is, the legacy that will be left for future generations. Following the approach, we opted for leaner actions and directly connected to the themes in order to not overload our collaborators. We carried out a campaign to publicize the initiatives, which ranged from lives with experts on the topics to reinforcement on the importance of collecting electronic waste in offices and stores, in order to engage our collaborators to dispose of their equipment at collection points. available at our facilities. The Wellbeing Week also addressed topics such as Harassment Prevention, reinforcing the company's Reporting Channel, and Suicide Prevention, reinforcing the Continuous Care Program that the company offers to its employees.
- **Cybersecurity Actions**: Throughout 2023, we promoted a series of actions that support the company's acculturation to the importance of cybersecurity practices, in order to disseminate them. We continued the Security Champions Program, which aims to support the dissemination of the topic at TIM by training employees in the Technology and Business areas in the main security concepts to increase the company's level of maturity. We launched the mandatory Phishing Prevention course for all employees, in order to support the identification of messages and emails with risks associated with personal and corporate security. Furthermore, to strengthen the topic throughout the organization, we promoted CyberDay with the aim of disseminating information to generate engagement and knowledge on topics involving CyberSecurity. The event had the participation of 20 speakers, 1.871 participants, reaching over 6.000 online participations.

Talent Attraction and Acquisition
Based on the strategic plan and on the innovation targets, TIM reinforced the employer brand positioning and launched initiatives to promote the development of digital and technological skills to people in society, improve talent attraction and increase the effectiveness in professional acquisition.
In 2023, we continued to hire professionals who adhere to the new capabilities to fill 71% of the vacancies worked on in recruitment, reinforcing our commitment to acquiring new skills to ensure continued business evolution.
We also work to evolve in hiring professionals in accordance with the company's Diversity and Inclusion corporate strategy and goals. For the leadership vacancies worked on in recruitment, we hired 44% of women to occupy these positions, contributing on this front to achieving the corporate target of women in leadership at 36,2% in 2023. On the People with disabilities front, we hired in 2023 around 200 professionals in different areas of the company to reach the level of 85% of the hiring target for this group.

Furthermore, we designed our talent attraction strategy for entry programs, always focused on attracting and developing people, based on requirements related to soft skills and with a focus on meeting the diversity pillars established by TIM:

**Internship Program**: In august 2023, we announced the most recent wave of the TIM Internship Program, offering 122 vacancies, distributed across 7 Brazilian states and strategically aimed at acquiring talent in various areas, with a predominant focus on skills related to digital innovation and business evolution. We implemented promotional strategies on social media that, in collaborations with influencers, generated more than 99 thousand views, in addition to live streams with more than 2 thousand simultaneous viewers. We also held in-person and online events at universities, exceeding 25.000 interactions with university students and we also had internal communication actions so that all employees could publicize the Internship Program opportunities. All these practices resulted in 13.301 applications, a 10% increase compared to the 2022 program and a record number of applications for TIM Internship Programs.

The selection process included an initial stage of gamified assessment, incorporating engagement, cultural fit and logical reasoning modules, deepening the understanding of TIM's organizational culture, its curiosities and innovations. In line with digital skills, the next phase involved an interactive group experience, through a virtual Escape Room, providing candidates with an immersion in TIM's various environments, such as the Concept Store, the People, Culture & Organization area and the Technology Laboratory. This phase allowed participants to demonstrate skills such as logical reasoning, team collaboration, decision making, communication and leadership.

The Internship Program continues to play a vital role in strengthening TIM's culture of diversity and inclusion. This year, we overcame the challenge of attracting a diverse audience, reflecting a representation of more than 80% of interns identified in at least one of the diversity pillars. With regard to commitment to the racial pillar, we reached a milestone, with 57% of hires being self-declared black and brown people. Of the people hired, 47% are women, and when segmenting black and brown women, this rate rises to 56%. Within the scope of the LGBT+ pillar, we achieved a notable achievement, with 27% of interns hired, reaffirming the diversity awards received by TIM throughout the year.

Furthermore, the program not only attracts young talent, but also welcomes 6,6% of interns aged 30 and over. During the program, interns participate in a diverse and personalized development journey, consisting of online courses, mentoring and business challenges, providing the opportunity to improve and develop essential skills to achieve new results. The Internship Program solidifies TIM's ongoing commitment to excellence, diversity and innovation.

**Young Apprentice Program**: in 2023, we started a talent pool at Gupy that has already accumulated more than 5k applicants for TIM's Young Apprentice opportunities. An additional challenge was the internalization of the selection process for these vacancies, which generated savings of more than 80 thousand reais for the company, in addition to ensuring a selection process that was more aligned with the company's culture. We hired 180 people between 18 and 24 years old across the country, who started their professional careers at TIM. Of this number, 64% are women and 46% declared themselves black or mixed race. The program has a strong social impact and is aimed mainly at people in socially vulnerable situations. We form partnerships with third sector institutions that reinforce this premise, such as PROA and the consolidation of the Employability Pact Between Heaven and Favela. This group's journey involves theory and practice, with vacancies available in administrative areas and stores.

During the development journey, apprentices have the opportunity to learn basic skills that will help them launch their professional career and prepare for future challenges. This year, 19 young people had the opportunity to take on other positions in different areas.

In recruitment practices, in 2023 we completed the implementation of the new ATS (Applicant Tracking System) for Store and Call Center vacancies, which brought more intelligent resources based on data and artificial intelligence to increase agility and assertiveness in recruitment processes, in addition to better usability and more positive experience for candidates and managers during the Recruitment and Selection journey. We had more than 1,1 MM views on talent attraction platforms (LinkedIn, Vagas.com; Gupy and Success Factors).

Diversity and Inclusive Culture

In 2019, a management team dedicated to the topic of Diversity and Inclusion was established, as part of the People, Culture & Organization board. The area, recently renamed Cultural Education & Inclusion Management, has the mission of ensuring the evolution of the company's inclusive culture, through the construction, implementation and management of specific policies, projects and programs, as well as promoting initiatives that contribute to the appreciation of diversity and promoting inclusion, at TIM and in society.

Since its creation, the area has implemented a consistent governance program on the topic in the company, which includes continuous communication and training actions, based on an annual diversity and inclusion calendar (with reference to UN international dates and national dates), creation and/or review of policies and processes aimed at inclusive culture, monitoring of indicators, and the creation and implementation of specific projects and initiatives to promote inclusion in the pillars of diversity. At the executive level, in 2020, a Diversity and Inclusion Committee was created led by the CEO of TIM, and with the participation of all his direct reports, which monitors the evolution of processes and opportunities to advance the company's agenda. Understanding that people's involvement is fundamental to the evolution of culture, in 2020 we launched 5 Affinity Groups, one for each pillar detailed on the next page, which today have approximately more than 500 employees.

TIM believes in the diversity of its workforce as a fundamental pillar in promoting a positive experience for people. The Company maintains efforts to disseminate a culture of respect and inclusion among employees and in Brazilian society and reinforces its commitment through its ESG Plan goals. In line with these strategies, in 2023, TIM maintained its focus on the D&I pillars it works on:

Gender: We work towards gender equity by empowering women, increasing female representation in leadership positions and in technology areas and promoting policies and initiatives in favor of employability, development and career evolution. Furthermore, in 2023, we had a strong presence in the fight against violence against women, through partnerships and strategic programs on the topic.

• People with disabilities: We combat ableism through employability, accessibility and inclusion programs and actions for this public.

• LGBTI+ people: We promote a safe environment that combats LGBTphobia through employability programs and awareness initiatives that guarantee equal treatment for people regardless of their affective-sexual orientation, gender identity and expression.

• Race/Ethnicity: We guarantee equity of opportunities through employability and career development initiatives, thus increasing the representation and retention of black people at TIM.

• Generations: We value an intergenerational culture, which combats ageism through an environment of mutual exchange, which qualifies, integrates and includes young and senior people.

• Social Inclusion: This is not a specific pillar of the Diversity and Inclusion Department, however, TIM has a strong commitment to social inclusion. With this in mind, in 2022, we began a partnership with the NGO Gerando Falcões in favor of the social and economic transformation of peripheral communities spread across the country, with initiatives to promote productive inclusion, bringing more technology to communities, employability, training and donating resources to social projects carried out by the NGO. Two classes were held during the months of August and September 2023, in the cities of Rio de Janeiro and São Paulo, training 30 people, of which 8 were hired to work in our own stores. In August, a Pact for the Employability of Pedra Lisa, located in the Morro da Providência region of Rio de Janeiro, was signed with Gerando Falcões, which is served by Gerando Falcões through the Favela 3D Program. In the document, TIM made a commitment to building a fairer and more inclusive society, by combating unemployment in the locality.

Furthermore, the "Respect generates respect" program, launched in November 2021, had its actions intensified. Created with the aim of preventing and curbing moral and sexual harassment and bullying, the program-maintained communication activities and continuous training for TIM leadership and professionals throughout the year, in order to promote a safer and freer culture and work environment of any type of discrimination. As part of support and reception, a specific social assistance service on the topic was made available to employees.

To support the process of acculturation and learning about topics related to Diversity and Inclusion, TIM carries out initiatives to combat unconscious biases through training for the professional public and leadership. In addition, it has the Conscious Keyboard, which works to eliminate expressions and words from everyday life that carry racist, sexist, ageist, ableist and LGBTphobic connotations. The application alerts users about the use of discriminatory words, explains the origin of the terms and proposes replacements. In addition, TIM also has diversity guides on the company's website that cover topics such as inclusive leadership, inclusive and respectful attitudes on the pillars of LGBTI+, PWD, ethnicity, gender and generations.

Throughout 2022 and 2023, TIM developed initiatives such as educational and communication campaigns, in alignment with the annual Diversity & Inclusion calendar, which includes the main global dates according to the UN calendar and highly representative national dates. In addition to topics related to the 5 representative pillars, we work on other topics of great relevance, such as fatphobia, HIV/AIDS and religious intolerance. Another action was TIM Convida, a series of digital events, open to the whole of society, with the aim of discussing current issues related to D&I, with speakers recognized for their work on the topic. In addition, the "Chama pro TIMe" Project was continued in all pillars worked at TIM Brasil, in which collaborators are invited to nominate candidates from minority groups for opportunities at TIM. We carry out specific training for leaders on the pillars and themes of D&I, in addition to having mandatory training on Diversity and Inclusion in our onboarding.

During the year, we also continued with our LGBTI+, People with Disabilities, Black People, People 45+, Tech Women and Women Leaders talent banks, available to the whole of society, publicized through our campaigns throughout the year and on the external website.

On the ecosystems and strategic partnerships front, TIM continues to participate in some of the most important movements in the D&I ecosystem: UN Women; Business Coalition to End Violence Against Women; Business Coalition for Racial and Gender Equity, focusing on the black population; Business and LGBTI+ Rights Forum, focusing on the LGBTI+ community, Generations Forum, focusing on people aged 45 and over, and Business Network for Social Inclusion (REIS), focusing on people with disabilities.

As a result of our continuous effort, in 2023 TIM was recognized with several diversity awards and rankings:

- **Corporate ESG Awards 2023**: We won the silver medal in the Best Company in Diversity, Equity and Inclusion and Best Company in Sustainability Report categories at the Corporate ESG Awards 2023, which brings together the publicly traded companies with the best performance in ESG areas in the world.
- **Top Employers**: In the 2023 edition of the award, we were recognized as one of the best employers in Brazil, highlighting our purposes and values, talent acquisition, encouraging the sharing of knowledge, encouraging connection within our work environment, our diversity and inclusion programs and our ethics and integrity policies.
- **Refinitiv**: For the third consecutive year, we appear in the Refinitiv ranking, an LSEG business Diversity & Inclusion Index, this time with an expressive result: number 1 globally in the telecommunications sector and among companies in Brazil and number 4 in the general list worldwide that evaluates the performance of more than 15 thousand publicly traded companies on topics of diversity, inclusion and career development.
- **IDiversa B3**: TIM is the only telco listed in the new B3 index, the first in Latin America to consider gender and race criteria and recognizes companies that promote greater representation of groups such as women, black and indigenous people in the market.
- **BR Equity Seal**: TIM was recognized by the Human Rights Campaign Foundation for ensuring an inclusive work experience for LGBTQIA+ employees. The company was the only one in the telecommunications sector named among the best environments for LGBTQIA+ people to work, receiving the Equity BR seal, promoted in Brazil by the +Diversity Institute and the Business and LGBTI+ Rights Forum.
- **Bloomberg (GEI)**: 1st place in Latin America in the Bloomberg Gender Equality Index and 7th place among the 484 recognized companies.
- **Ethos/Época Diversity and Inclusion Survey**: TIM is among the companies recognized by the Ethos Institute Diversity Survey in partnership with Época Negócios Magazine as one of the 72 companies with the best performance in D&I. In addition, it is highlighted in the silver category in the Telecommunications sector.
- **GPTW B3 Index**:becomes part of the index of companies with the best working environment and whose shares are traded on the Brazilian stock exchange.

# Environmental, Social & Governance

According to art  1730-4 of Luxembourg law of 10 August 1915, as modified, Telecom Italia Finance Group is exempted from reporting the non financial information (the "NFRD Report") requested by art 1730 -1 of the same law. Indeed, all reportable undertakings under such report are covered by the NFRD report of TIM S.p.A., which fully controls Telecom Italia Finance.

## Brazil

Solid ESG Path

TIM is a pioneer in ESG (Environmental, Social & Governance) topics in the Telecommunications sector in Brazil. The Company has been part of the B3 Sustainability Index Portfolio (ISE-B3) for 16 years, being the company in the sector that has been part of the Index for the longest time. In February 2023, TIM was once again recognized as one of the most sustainable companies in the world by S&P Global ESG, the organization responsible for the Dow Jones Sustainability Index (DJSI) and was included in the Sustainability Yearbook.

Since 2011, TIM has voluntarily been part of the Novo Mercado, the highest level of corporate governance on the Brazilian Stock Exchange, in addition to being the first and only telecommunications operator named as a Pro-Ethics company by the General Comptroller of the Federal Government (CGU) for three editions consecutive.

As a signatory of the UN Global Compact since 2008 and UN Women since 2021, TIM develops projects connected to the Sustainable Development Goals (SDGs) and recognizes the rights to data privacy, secure internet, access to information and freedom of speech as essential and non-negotiable.

TIM has become a reference in promoting diversity and inclusion at national and international level, with goals, commitments and implementation of various initiatives on the topics of gender, race, LGBTI+ people, generations, people with disabilities, among others. In 2021, the Company became the first Brazilian operator to be included in the Refinitiv Diversity & Inclusion Index, occupying the 1st position in Telecom globally, a highlight that it also maintained in 2022 and 2023. TIM was also the first operator to win the GSMA's Diversity in Tech international award, which recognizes organizations worldwide with practices in favor of equality, diversity and human rights in the technology sector. In 2023, TIM was selected as the only operator to be part of B3's IDIVERSA portfolio, a new index that assesses racial and gender representation at the various hierarchical levels of companies. Furthermore, it continued to be included in the Bloomberg Gender Equality Index, which brings together 600 companies from 45 countries, only 16 of which are from Brazil.

Recognized with the Top Employers certification seal for the second consecutive year, TIM is also consolidated as one of the companies with the best HR practices. The certification is the result of an independent audit by the Top Employer Institute, an international institute with 30 years of experience in 120 countries. In January 2023, the Company also joined B3's GPTW Index, which considers companies certified by the Great Place to Work (GPTW) as the best work environments in Brazil.
TIM responds to the Carbon Disclosure Project (CDP) – the world's largest database on Greenhouse Gases related to Climate Change – since 2010 and records its emissions in the Public Emissions Registry of the Brazilian GHG Protocol Program.
For further information on TIM's actions to mitigate and adapt to climate change issues, see our Task Force on Climate-Related Financial Disclosures (TCFD) report, published in 2022 and updated in 2023.
Since 2004, TIM has been presenting its performance through sustainability indicators and since 2018 it has been publishing reports in accordance with the guidelines of the Global Reporting Initiative (GRI). As of 2021, the Company started calling this publication the ESG Report and continues with its commitment to transparency and accountability to its stakeholders, organizing the report in the three pillars: Environmental, Social and Governance. The Report is also assured by an independent third party.
Our Policies on Social Responsibility, Human Rights, Diversity, Environment, Climate Change Management, Corporate Risk Management, Anti-Corruption, Relationship with Suppliers, Occupational Health and Safety, Privacy, among others, are publicly available for free consultation by our stakeholders.
In compliance with the General Data Protection Law, in force in Brazil since 2020, TIM works to ensure customer privacy, protect their personal data and maintain an increasingly transparent relationship. For further information, please consult the Privacy Center on the TIM website.
In 2013, TIM founded the TIM Institute with the mission of democratizing access to science, technology, and innovation to foster human development in Brazil. Over 700.000 people from all states and the Federal District have already benefited from the Institute's education and inclusion projects, including internationally awarded prizes (Governorte Award – IDB 2015).
Due to its solid performance in ESG, TIM is included in national and international indices and ratings, such as the Corporate Sustainability Index (ISE B3), Efficient Carbon Index (ICO2 B3), Brasil ESG Index (S&P/B3), S&P Global LargeMidCap ESG Indices , B3 GPTW Index (IGPTW B3), B3 Diversity Index (IDIVERSA B3), CDP Brazil Climate Resilience Index (ICDPR-70), Refinitiv Diversity & Inclusion, Bloomberg Gender Equality Index (GEI), FTSE4GOOD Emerging Markets, FTSE4GOOD Latin America, MSCI ACWI ESG Leaders, MSCI Emerging Markets ESG Leaders, Teva Women in Leadership Index, Women on Board seal, among others, in addition to being certified by ISO 9001 (since 2000), ISO 14001 (since 2010), ISO 37001 (since 2021) and ISO 27001 (since 2022).

## Events subsequent to December 31, 2023

### Payment of Interest on Equity

In January 2024, TIM S.A paid Interest on Capital (IOC) related to the fiscal year ending on December 31, 2023 and approved on December 06, 2023 according to the following schedule:

| Payment Date | Reais per share |
|---|---|
| 23/01/2024 | 0,270594175 |

For others details of subsequent events, see the specific Note "Events Subsequent to December 31, 2023".

## Business outlook for the year 2024

The Group project for the coming years a sustainable growth in Service Revenue above inflation and an expansion of EBITDA with positive evolution in the margin. This dynamic combined with maintaining the level of investments that benefit from the efficiency of new technologies, such as 5G, should promote an improvement in our operating free cash flow. All of this will enable us to continue evolving TIM SA shareholder remuneration strategy and reinvest in growth avenues such as B2B and Broadband.

## Main risks and uncertainties

The majority of risks and uncertainty that impact financial markets and industrial arena are beyond the Group's control, therefore risk governance is considered a strategic tool for value creation.
In addition, there have been several major shifts, including, but not limited to, the change in the market environment, the entry of potential new competitors, the start of proceedings by Authorities, and the implementation of new business strategies in the multimedia segment. These risk factors may have unforeseeable repercussions in terms of the strategic choices adopted by the Group and could have an impact on the evolution model adopted in the multimedia market.

The main risks affecting the business activities of the TIF Group are presented below.

## Strategic risks

Risks related to macro-economic factors
The Group's economic and financial situation, including its capacity to support the expected level of cash flows and business margins, depends on the influence of numerous macroeconomic factors such as economic growth, consumer confidence, interest rates, inflation rate and exchange rates in the markets where it operates.
These factors come in addition to the uncertainties tied to the evolution of the war in Ukraine, the recent Israeli-Palestinian conflict and the structural transformation of the energy markets.
As regards Brazil, growth is affected by the slowdown in the global economy, in particular in the USA and China. Also following a restrictive monetary policy that helped somewhat restore the credibility and stability of the Brazilian currency and limit inflation, a slowing of growth is expected for the Brazilian economy in 2023, which should settle at around 2,9%. The reduction in growth and the need to maintain subsidies for the poorer portion of the population, who are experiencing difficulty in coping with the rise in the cost of petrol and food products, coupled with the growing public and private debt are the main risks and challenges the country is facing following the presidential elections at the end of the year.

Risks related to competition
Competitive risks in the Brazilian market lie in the rapid transition of the business model tied to both traditional services and the more innovative ones. As the consumption patterns of the customer base change (migration from voice to data services), service providers need to act swiftly in upgrading their infrastructure and modernizing their portfolios of products and services. In this context, the TIM Brasil group could be impacted by the need for rapid development of technologies and infrastructures.

## Operational risks

Operational risks inherent in our business relate, on one hand, to possible inadequacies in internal processes, external factors, frauds, employee errors, errors in properly documenting transactions, loss of critical or commercially sensitive data and failures in systems and/or network platforms; and on the other hand, to the possibility of implementing strategies for value creation through the optimization of costs and capital expenditure, which in part could depend on factors beyond the control of the Group, such as the cooperation of external counterparties (suppliers, trade unions, industry associations) and laws and regulations.

Cybersecurity risks
Cyber risk is on the increase worldwide and as such requires continual monitoring by the Group, given the sheer amount of IT assets managed in terms of own TLC infrastructure and assets necessary to deliver services to customers. In view of these considerations, considerable attention was paid to protecting networks from main threats (e.g. viruses, malware, hackers, data theft). With a wide range of attackers (Cyber-Criminals, Cyber-Terrorists, Insiders, etc.), the Group carries out activities not only to safeguard its infrastructure but also – with a strong sense of responsibility – to protect customers' information assets, that are a priority target.
As regards prevention, the Group monitors cyber risk analyses, defining security plans for the company's IT assets, to identify the actions necessary to mitigate cyber risk in advance and guarantee a security by design approach, also monitoring the plans of these actions and controls on actual adoption in the field.
TIM has also implemented an insurance program to cover cyber risks.

Risks related to business continuity
The TIF Group's success depends heavily on the ability to ensure continuous and uninterrupted delivery of the products and services we provide through the availability of processes and the relating supporting assets. In particular, the Network Infrastructure and the Information Systems are sensitive to various internal and external threats: power outage, floods, storms, human errors, system failures, hardware and software failures, software bugs, cyber-attacks, earthquakes, facility failures, strikes, fraud, vandalism, terrorism, etc.
TIF, as part of the TIM Group, has adopted a "Business Continuity Model System" framework in line with international standards, to analyze and prevent these risks.

Risks related to the development of fixed and mobile networks
To maintain and expand our customer portfolio in the Brazilian market it is necessary to maintain, update and improve existing networks in a timely manner. A reliable and high-quality network is necessary to maintain the customer base and minimize terminations to protect the Group's revenues from erosion. The maintenance and improvement of existing installations depend on our ability to:

- deliver network development plans within the time-frames contemplated by business development plans and with the necessary level of effectiveness/efficiency;
- upgrade the capabilities of the networks to provide customers with services that are closer to their needs.

Risks of internal/external fraud
TIF Group, as part of the TIM Group, has an organizational model in place to prevent fraud. The organization is designed to ensure higher risk mitigation levels against illegal acts committed by people inside and outside the organization, which could adversely affect the Group's operating performance, financial position and image.

Risks related to disputes and litigation
TIF Group has to deal with disputes and litigation with tax authorities and government agencies, regulators, competition authorities, other telecommunications operators and other entities. The possible impacts of such proceedings are generally uncertain. In the event of unfavorable settlement for the Group, these issues may, individually or as whole, have an adverse effect, which may even be significant, on its operating results, financial position and cash flows.

### Financial risks

TIF Group may be exposed to financial risks, such as risks arising from fluctuations in interest rates and exchange rates, credit risk, liquidity risk and risks related to the performance of the equity markets in general, and, more specifically, risks related to the performance of the share price of the Brazilian companies.
Generally, the TIF Group hedges exposure in foreign currencies but not the risk of transfer relating to its foreign subsidiaries. However, the hedges may not manage to effectively protect the Group from adverse changes in the exchange rates. With regard to translation risk, the performance of the euro exchange rates with respect to the Brazilian real may have a negative impact on the consolidated results. Appreciation of the euro with respect to the currencies of certain countries in which the TIF Group operates or has made investments, will reduce the related value of the revenues or assets, of the transactions implemented in such countries and, therefore, may have a negative impact on the operating profit or financial position.
These risks may adversely impact the earnings and the financial structure of the Group. Accordingly, to manage those risks, the TIF Group has embedded guidelines defined at central level by TIM Group, which must be followed for operational management, identification of the most suitable financial instruments to meet set goals, and monitoring the results achieved.
For further details of financial risks, see the specific Note "Financial risks management" .

### Regulatory and compliance risks

Regulatory risks
The telecommunications industry is highly regulated. In this context, new decisions by Anatel may lead to changes in the regulatory framework that may affect the expected results of the Group.

Compliance risks
The TIF Group may be exposed to risks of non-compliance due to non-observance/breach of internal (self-regulation, such as, for example, bylaws, code of ethics) and external rules (laws, regulations, new accounting standards and Authority orders), with consequent judicial or administrative penalties, financial losses or reputational damage.
The TIF Group aims to ensure that processes, and, therefore, the procedures and systems governing them, and corporate conduct comply with legal requirements. The risk is associated with potential time lags in making the processes compliant with regulatory changes or whenever non-conformities are identified.

### Group internal control and risk management

TIF Group adheres to the principles and criteria of the TIM Group Corporate Governance Code. Its Internal Control and Risk Management System consists of the set of rules, procedures and organizational structures applied to the entire TIM Group, which TIF Group is part of. This set allows the sound, fair and consistent operation of the Group in line with the pre-established objectives. At TIM Group level, the Internal Control and Risk Management System involves several components acting in a coordinated way accordingly to their respective responsibilities: the Board of Directors, with the responsibility to direct and provide strategic supervision; the Executive Directors and Management with the responsibility to control and manage; the Control and Risk Committee and the Head of the Group Audit Department, with the responsibility to monitor, control and provide support to the Board of Directors.

## Information for investors

### Brazil – shares

Regarding the trading of shares issued by Group companies on regulated markets, the ordinary shares of TIM S.A. are listed in Brazil on B3 (formerly BM&F/Bovespa).
Ordinary shares of TIM S.A. were also listed on the NYSE (New York Stock Exchange); share prices are set through ADS (American Depositary Shares) representing 5 ordinary shares of TIM S.A.

### Waiver of the obligation to present activities in one report only

The Board of Directors of Telecom Italia Finance waived the provisions of art. 1720-1 (3) of the Luxembourg law dated as September 10, 2015, as modified by time to time, which allows the Board to present one report only where Consolidated Annual Report is prepared.

## Alternative Performance Measures

In this Directors' Report and in the Consolidated Financial Statements of the Group for the year ended December 31, 2023, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for a better understanding of the trend of operations and financial condition. Such measures, which are also presented in interim financial reports, should, however, not be considered as a substitute for those required by IFRS.

- EBITDA/EBIT: these financial measures represent a useful unit of measurement for assessing the operating performance of the Group (considering in particular Brazil BU level). In order to get a more complete and effective understanding, they are also presented in terms of organic changes (amount and/or percentage), excluding, where applicable, the effects of non recurring items. EBITDA/EBIT 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 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(loss) before depreciation and amortization, Capital gains (losses) and impairment reversal (losses) on non-current assets** | |

- EBITDA margin and EBIT margin: Telecom Italia Finance believes that these margins represent useful indicators of the ability of the Group (and in particular the Brazil BU) to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analysing the percentage of revenues that are converted, respectively, into EBITDA and EBIT.

- Capital Expenditures ("Capex"): Telecom Italia Finance considers Capex as relevant measures to understand the Group investments in intangible and tangible nun-current assets. The amount presented corresponds to the sum of columns "addition" in Note "Intangible assets with a finite useful life" and Note "Tangible assets".

- Net financial debt: Telecom Italia Finance believes that Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. The Directors' Report includes a table showing the amounts taken from the statements of financial position and used to calculate the Net Financial Debt of the Group, divided by operating segment. In addition, Note "Net Financial Debt" details the calculation for the Group.

- ARPU: The Group uses Average Revenue Per User (ARPU) as metric to understand the revenue generation capability and growth at the per-customer level. It is equivalent to the total revenue divided by average users number during a period.

## Corporate Governance Statement

A description of the Parent Corporate Governance is provided within the statutory accounts of Telecom Italia Finance, available at www.tifinance.lu.

# Consolidated Statements of Financial Position
## Assets

| (millions of euros) | Note | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| **Non-current assets** | | | |
| **Intangible assets** | | **3.293** | **3.312** |
| Goodwill | [4] | 1.017 | 977 |
| Intangible assets with a finite useful life | [5] | 2.277 | 2.334 |
| **Tangible assets** | [6] | **2.338** | **2.147** |
| Property, plant and equipment | | 2.338 | 2.147 |
| **Right of use assets** | [7] | **1.913** | **1.981** |
| **Other non-current assets** | | **2.464** | **2.759** |
| Investments in associates accounted for using the equity method and other investments | [8] | 312 | 277 |
| Non-current financial receivables for lease contracts | [9] | 39 | 37 |
| Other non-current financial assets | [9] | 1.508 | 1.669 |
| Miscellaneous receivables and other non-current assets | [10] | 371 | 531 |
| Deferred tax assets | [11] | 235 | 246 |
| **Total Non-current assets** | | **10.009** | **10.199** |
| **Current assets** | | | |
| Inventories | [12] | 62 | 42 |
| Trade and miscellaneous receivables and other current assets | [13] | 985 | 865 |
| Current income tax receivables | [11] | 139 | 105 |
| **Current financial assets** | [9] | **5.466** | **4.656** |
| Current financial receivables arising from lease contracts | | 6 | 6 |
| Securities other than investments, financial receivables and other current financial assets | | 2.631 | 1.609 |
| Cash and cash equivalents | | 2.830 | 3.042 |
| **Total Current Assets** | | **6.652** | **5.669** |
| **TOTAL ASSETS** | | **16.662** | **15.868** |

*The accompanying notes are an integral part of these annual Consolidated Financial Statements.*

## Equity and Liabilities

| (million euros) | Note | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| **Equity** | | | |
| Share capital issued | [14] | 1.819 | 1.819 |
| Other reserves and retained earnings (accumulated losses), including profit (loss) for the year | | 4.116 | 4.547 |
| **Equity attributable to owners of the Parent** | | **5.934** | **6.366** |
| **Non-controlling interests** | [3] | **1.646** | **1.545** |
| **TOTAL EQUITY** | | **7.581** | **7.911** |
| **Non-current liabilities** | | | |
| Non-current financial liabilities for financing contracts and others | [15] | 2.843 | 2.330 |
| Non-current financial liabilities for lease contracts | [15] | 1.953 | 1.900 |
| Deferred tax liabilities | [11] | — | — |
| Provisions | [20] | 288 | 252 |
| Miscellaneous payables and other non-current liabilities | [21] | 140 | 179 |
| **Total Non-current liabilities** | | **5.225** | **4.661** |
| **Current liabilities** | | | |
| Current financial liabilities for financing contracts and others | [15] | 1.746 | 1.235 |
| Current financial liabilities for lease contracts | [15] | 338 | 406 |
| Trade and miscellaneous payables and other current liabilities | [22] | 1.754 | 1.641 |
| Current income tax payables | [11] | 18 | 14 |
| **Total Current Liabilities** | | **3.856** | **3.296** |
| **TOTAL LIABILITIES** | | **9.081** | **7.957** |
| **TOTAL EQUITY AND LIABILITIES** | | **16.662** | **15.868** |

*The accompanying notes are an integral part of these annual Consolidated Financial Statements.*

# Separate Consolidated Income Statements

| (million euros) | Note | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| Revenues | [24] | 4.412 | 3.963 |
| Other operating income | [25] | 17 | 17 |
| **Total operating revenues and other income** | | **4.429** | **3.980** |
| Acquisition of goods and services | [26] | -1.688 | -1.568 |
| Employee benefits expenses | [27] | -339 | -312 |
| Other operating expenses | [28] | -388 | -372 |
| Change in inventories | | 18 | 6 |
| Internally generated assets | [29] | 102 | 93 |
| **Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)** | | **2.134** | **1.828** |
| Depreciation and amortization | [30] | -1.318 | -1.260 |
| Gains/(losses) on disposals of non-current assets | [31] | 10 | 13 |
| **Operating profit (loss) (EBIT)** | | **827** | **581** |
| Share of profits (losses) of equity investments valued using equity method | | -17 | -11 |
| Other income (expenses) from investments | [32] | 56 | -3 |
| Finance income | [33] | 810 | 920 |
| Finance expenses | [33] | -1.079 | -1.233 |
| **Profit (loss) before tax from continuing operations** | | **597** | **254** |
| Income tax expenses | [11] | -86 | -32 |
| **PROFIT (LOSS) FOR THE YEAR** | | **511** | **221** |
| Attributable to | | | |
| Owners of the Parent | | 335 | 120 |
| Non-controlling interests | | 176 | 102 |

*The accompanying notes are an integral part of these annual Consolidated Financial Statements.*

# Consolidated Statements of Comprehensive Income

| (millions of euros) | Note | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| **Profit (loss) for the year** | **(a)** | **511** | **221** |
| **Other components that subsequently will not be reclassified to the Separate Consolidated Income Statements** | **(b=c)** | **—** | **—** |
| **Financial assets measured at fair value through other comprehensive income:** | **(c)** | **—** | **—** |
| Profit (loss) from fair value adjustments | | — | — |
| **Other components that subsequently will be reclassified to the Separate Consolidated Income Statements** | **(d=e+f+g)** | **253** | **542** |
| **Financial assets measured at fair value through other comprehensive income:** | **(e)** | **59** | **-50** |
| Profit (loss) from fair value adjustments | | 69 | -70 |
| Loss (profit) transferred to the Separate Consolidated Income Statements | | -9 | 20 |
| **Hedging derivative instruments:** | **(f)** | **-1** | **—** |
| Profit (loss) from fair value adjustments | | -1 | — |
| Loss (profit) transferred to the Separate Consolidated Income Statements | | — | — |
| **Exchange rate differences on translating foreign operations:** | **(g)** | **194** | **592** |
| Profit (loss) on translating foreign operations | | 194 | 592 |
| **Other components of the Consolidated Statements of Comprehensive Income** | **(h=b+d)** | **253** | **542** |
| **Total comprehensive income (loss) for the year** | **(i=a+h)** | **764** | **763** |
| Attributable to | | | |
| Owners of the Parent | | 526 | 479 |
| Non-controlling interests | | 238 | 284 |

*The accompanying notes are an integral part of these annual Consolidated Financial Statements.*

# Consolidated Statements of Changes in Equity

## Changes from January 1, 2023 to December 31, 2023

| (millions of 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 profits (losses) of associates and joint ventures accounted for using the equity method | Other reserves and retained earnings (accumulated losses), including profit (loss) for the period | **Total Equity attributable to owners of the Parent** | **Non-controlling interests** | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 01, 2023** | **1.819** | **3.148** | **-56** | **2** | **-2.114** | **—** | **—** | **3.568** | **6.366** | **1.545** | **7.911** |
| Changes in equity during the period: | | | | | | | | | | | |
| Dividends approved | — | — | — | — | — | — | — | -988 | -988 | -136 | **-1.123** |
| Total comprehensive income (loss) for the period | — | — | 59 | -1 | 131 | — | — | 335 | 526 | 238 | **764** |
| Other changes | — | — | — | — | — | — | — | 31 | 31 | -2 | **29** |
| **Balance at December 31, 2023** | **1.819** | **3.148** | **4** | **1** | **-1.983** | **—** | **—** | **2.946** | **5.934** | **1.646** | **7.581** |

## Changes from January 1, 2022 to December 31, 2022

| (millions of 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 profits (losses) of associates and joint ventures accounted for using the equity method | Other reserves and retained earnings (accumulated losses), including profit (loss) for the period | **Total Equity attributable to owners of the Parent** | **Non-controlling interests** | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 01, 2022** | **1.819** | **3.148** | **-6** | **2** | **-2.523** | **—** | **—** | **3.498** | **5.937** | **1.345** | **7.282** |
| Changes in equity during the period: | | | | | | | | | | | |
| Dividends approved | — | — | — | — | — | — | — | -54 | **-54** | -85 | **-140** |
| Total comprehensive income (loss) for the period | — | — | -50 | — | 409 | — | — | 120 | **479** | 284 | **763** |
| Other changes | — | — | — | — | — | — | — | 4 | **4** | 2 | **6** |
| **Balance at December 31, 2022** | **1.819** | **3.148** | **-56** | **2** | **-2.114** | **—** | **—** | **3.568** | **6.366** | **1.545** | **7.911** |

*The accompanying notes are an integral part of these annual Consolidated Financial Statements.*

# Consolidated Statements of Cash Flows

| (million euros) | Note | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| **Cash Flows from operating activities:** | | | |
| Profit (loss) from continuing operations | | 511 | 221 |
| Adjustments for: | | | |
| Depreciation and amortization | [30] | 1.318 | 1.260 |
| Impairment losses(reversals) of assets (including investments) | | -6 | 7 |
| Net change in deferred tax assets and liabilities | [11] | 49 | -24 |
| Losses (gains) realized on disposal of non-current assets (including investments) | [31] [32] | -66 | -13 |
| Share of losses (profits) of associates accounted for using the equity method | | 17 | 11 |
| Change in inventories | | -18 | -6 |
| Change in trade receivables and other net receivables | [13] | -46 | -6 |
| Change in trade payables | | 94 | 130 |
| Net change in current income tax receivables/payables | [11] | -30 | -95 |
| Net changes in miscellaneous receivables/payables and other assets/liabilities | | 96 | 296 |
| **Cash flows from (used In ) operating activities** | | **1.918** | **1.782** |
| **Cash Flows from investing activities:** | | | |
| Purchase of intangible, tangible and right of use on a cash basis | | -897 | -1.166 |
| Acquisition of control of companies or other businesses, net of cash acquired | | 51 | -1.316 |
| Acquisitions/disposals of other investments | [8] | -10 | — |
| Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets) | [9] | -849 | 867 |
| Proceed from sale/repayment of intangible, tangible and other non-current assets | | 3 | 2 |
| **Cash flows from (used In ) investing activities** | | **-1.702** | **-1.614** |
| **Cash Flows from financing activities:** | | | |
| Changes in current financial liabilities and other | [15] [16] | 291 | -292 |
| Proceeds from non-current financial liabilities (including current portion) | [15] [16] | 926 | 474 |
| Repayments of non-current financial liabilities (including current portion) | [15] [16] | -557 | -406 |
| Changes in derivatives | | -23 | -29 |
| Dividends paid | | -1.115 | -122 |
| Changes in ownership interests in consolidated subsidiaries | | -6 | — |
| **Cash flows from (used In ) financing activities** | | **-484** | **-376** |
| **Aggregate Cash flows** | | **-268** | **-208** |
| **Net foreign exchange differences on net cash and cash equivalents** | | **20** | **-45** |
| **Net cash and cash equivalents at the beginning of the year** | **[9]** | **3.031** | **3.239** |
| **Net cash and cash equivalents at the end of the year** | **[9]** | **2.763** | **3.031** |

## Additional Cash Flow Information

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Income taxes (paid) received | -60 | -17 |
| Interest expense paid | -701 | -523 |
| Interest income received | 466 | 349 |
| Dividends received | — | — |

*The accompanying notes are an integral part of these annual Consolidated Financial Statements.*

# Notes to the Consolidated Financial Statements

## Note 1 - Form, content and other general information

FORM AND CONTENT

Telecom Italia Finance S.A. (the “Parent” or “TIF”) is established in Luxembourg as Société Anonyme under the laws of the Grand Duchy of Luxembourg. The registered office is located at 12, rue Eugène Ruppert, Luxembourg. Parent and its subsidiaries are collectively referred to as the “Group” or “TIF Group”.

The immediate and ultimate Parent of the Group is TIM S.p.A.

The Group, through its Brazilian’s subsidiaries, is principally engaged in providing fixed-line and telephony services to the public. The Parent is also involved in providing financial assistance and loans to the ultimate Parent of the Group and its subsidiaries.

The Consolidated Financial Statements 2023 of the Group have been prepared 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 and were authorized for issue with a resolution of the Board of Directors on March 05, 2024. The Consolidated Financial Statements 2023 are subject to approval by the shareholders meeting.

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.
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 Consolidated Financial Statements 2023 have been prepared on a going concern basis (for further details see Note "Accounting policies").

The Consolidated Financial Statements 2023 are expressed in euro (rounded to the nearest million, unless otherwise indicated).

FINANCIAL STATEMENT FORMATS

The financial statement formats adopted are consistent with those indicated in IAS 1. More specifically:

- the Consolidated Statement of Financial Position has 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 Group's industrial sector;
- the Consolidated Statement of Comprehensive Income includes the profit or loss for the year as shown in the Separate Consolidated Income Statement and all other changes in equity related to non-controlling interests;
- the Consolidated Statement of Cash Flows has been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, according to IAS 1 (paragraphs 97 and 98), certain expense and income items that are material in terms of nature and amount are separately disclosed in the notes to the separate consolidated income statement. Specifically, such items 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 goodwill and/or other intangible and tangible assets.

The official version of the consolidated financial statements is the ESEF version available at the Officially Appointed Mechanism (OAM) at the bourse of Luxembourg (https://www.bourse.lu/oam).

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 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 Group are organized according to the specific businesses.
The term operating segment is considered synonymous with Business Unit.

The operating segments of the Group are as follows:

- Telecommunications (or Brazil Business Unit): includes mobile and fixed telecommunications operations in Brazil;
- Other Operations: includes TI Finance, that provides financial assistance to TIM Group companies.

For these Business Units, the Group has identified Chief Operating Decision Makers (CODMs) within the directors for each segment.

## Note 2 - Accounting Policies

GOING CONCERN

The Consolidated Financial Statements 2023 have been prepared on a going concern basis as there is the reasonable expectation that the Group 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 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 invasion of Ukraine;
  - 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;
- 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.
Control exists when the Parent 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.

The Parent 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 and 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 interests 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 in non-controlling interests.
The cash flows of foreign consolidated subsidiaries expressed in currencies other than euro included in the consolidated statement 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 are accounted for using the equity method, as provided by IAS 28 (Investments in Associates and Joint Ventures).
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.
Associates are included in the Consolidated Financial Statements from the date on which significant influence commences until the date on which significant influence ceases. Under the equity method, on initial recognition the investment in an associate 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.
After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within Separate Consolidated Income Statement .
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 equals or exceeds its interest in the associate, 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. If the associate 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 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 are recognized in the investor's financial statements only to the extent of unrelated investors' interests in the associate.
The investor's share of profits and losses of the associate arising from said transactions is eliminated.

INTANGIBLE ASSETS

Goodwill
The goodwill recorded in the Consolidated Financial Statements of the Group refers to the goodwill which was generated in connection with the acquisition of the Brazilian Business Unit.
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 Consolidated Income Statement;
- 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 acquisition date of control and recognize the resulting gain or loss, if any, in the Separate Consolidated Income Statement.

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 amortized 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 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".
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.

RIGHT 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 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 expense" line item to which they relate.

IMPAIRMENT OF INTANGIBLE, TANGIBLE AND RIGHT 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 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 interests.
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.

Intangible and tangible 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 – 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 LEASES ASSETS

Leases in which the Group, as lessor, substantially transfers the risks and benefits of the ownership to the other party (the lessee) are classified as financial leases. These lease values are transferred from the intangible and tangible assets of the Group and are recognized as a lease receivable at the lower of the fair value of the leased item and/or the present value of the receipts provided for in the agreement. Interest related to the lease is taken to income statement as financial revenue over the contractual term.

FINANCIAL INSTRUMENTS

Business models for financial assets management
For the management of trade receivables, the Group Management has identified the business model “Hold to Collect”. These receivables are financial assets measured at amortized cost, and refer to accounts receivable from users of telecommunications services, from network use (interconnection) and from sales of handsets and accessories. Accounts receivable are recorded at the price charged at the time of the transaction. The balances of accounts receivable also include services provided and not billed (“unbilled”) up to the balance

sheet date. Accounts receivable from clients are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less the provision for expected credit losses ("impairment").

As part of managing financial assets other than trade receivables, the Group Management has 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 Ultimate 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 (FVTOCI);
- 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 consolidated profit or loss (FVTPL).

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are “solely payments of principal and interest (SPPI)” on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

At initial recognition, those financial asset are measured at fair value plus or minus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs include fees and commission paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. They do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Subsequent measurement changes according to category of financial assets:

- Amortised cost: Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the Consolidated Statement of Income.
- FVTOCI: Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in “Finance income and expenses”.
- FVTPL: A gain or loss on those investments is recognized in profit or loss and presented net within “Finance income and expenses” in the period in which it arises.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or they are transferred and the transfer qualifies for derecognition (therefore, the entity transfers substantially all the risks and rewards of ownership of the financial asset).

Other investments
Other investments (equity investments other than those in subsidiaries and associates) 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. In the Consolidated Financial Statements 2023 the Group has not applied this option for any material other investment.
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 statement 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 equity 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, with an original maturity of more than 12 months but the remaining maturity at the date of purchase is more than 3 months but less than 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 flows. The "Reserve for financial assets measured at fair value through other consolidated comprehensive income" is reversed to the Separate Consoldiated 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 or when their cash flows are not SPPI.

Cash and cash equivalents
Cash and cash equivalents are recorded at 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 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. It is recognized as a reduction in accounts receivable based on the profile of the subscriber portfolio, the aging of overdue accounts receivable, the economic situation, the risks involved in each case and the collection curve, at an amount deemed sufficient by Management, as adjusted to reflect current and prospective information on macroeconomic factors that affect the customers’ ability to settle the receivables.
- impairment on 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 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 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 fair value adjustment of hedging derivative 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.
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 fair 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.
Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

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

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.
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 statements as "Finance expenses".

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 converted 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), identify the respective rights and obligations, this means that: the contract must be legally enforceable, the rights to receive goods and/or services and the terms of payment can be clearly identified and the Group deems receipt of payment as probable;
- identification of the performance obligations: based on the review of its contracts, the Group identified the existence of two performance obligations:(i)sale of equipment and (ii) provision of mobile, fixed and internet telephony services. Revenues recognition starts when, or as, the performance obligation is met when transferring the good or service promised to the customer; the asset is considered transferred when or as the customer obtains control of this asset;
- determination of the transaction price and allocation of the transaction price to the performance obligations: the Group sell commercial packages that combine services and sale of cellular handsets with discounts. In accordance with IFRS 15, the Group is required to perform the discount allocation and recognize revenues related to each performance obligation based on their standalone selling prices.
- 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
      The principal service revenue derives from monthly subscription, the provision of separate voice, SMS and data services, and user packages combining these services, roaming charges and interconnection revenue. The revenue is recognized as the services are used, net of sales taxes and discounts granted on services. This revenue is recognized only when the amount of services rendered can be estimated reliably.
      Revenues are recognized monthly, through billing, and revenues to be billed between the billing date and the end of the month (unbilled) are identified, processed, and recognized in the month in which the service was provided. These non-billed revenues are recorded on an estimated basis, which takes into account consumption data, number of days elapsed since the last billing date.
      Interconnection traffic and roaming revenue are recorded separately, without offsetting the amounts owed to other telecom operators (the latter are accounted for as operating costs).
      The minutes not used by customers and/or reload credits in the possession of commercial partners regarding the prepaid service system are recorded as deferred revenue and allocated to income when these services are actually used by customers.
    - Revenues from product sales
      Revenues from product sales (telephones, mini-modems, tablets and other equipment) are recognized when the performance obligations associated with the contract are transferred to the buyer. Revenues from sales of devices to trading partners are accounted for at the time of their physical delivery to the partner, net of discounts, and not at the time of sale to the end customer, since the Company has no control over the product sold.
      The recognition of revenues can generate the recognition of an asset or liability deriving from contracts. In particular:

- Contract assets are the rights to a consideration in exchange for goods or services that have been transferred to the customer, when the rights is conditioned on something other than the passage of time and are recognised as Other Receivable.
- 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.

All incremental costs related to obtaining a contract (sales commissions and other costs of acquisition from third parties) are recorded as prepaid expenses and amortized over the same period as the revenue associated with this asset. Similarly, certain contract compliance costs are also deferred to the extent that they relate to performance obligations under the customer agreement, i.e. when the customer obtains control over the asset.

RESEARCH COSTS AND ADVERTISING EXPENSES

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 statements; gains and losses on foreign exchange and financial instruments (including derivatives).

DIVIDENDS

Dividends received from companies other than subsidiaries and associates 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 TAXES 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 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. Deferred 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".

USE OF 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 are detailed below.

| Financial statement line item/area | Accounting estimates |
|---|---|
| Impairment of goodwill | 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. If the market capitalization, taking in account the volatility, is sufficiently high, it is considered as the recoverable value. Otherwise, the 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 intangible and tangible 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.<br>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 |
| Expected Credit Loss | Impairment on trade receivables 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. It is recognized as a reduction in accounts receivable based on the profile of the subscriber portfolio, the aging of overdue accounts receivable, the economic situation, the risks involved in each case and the collection curve, at an amount deemed sufficient by Management, as adjusted to reflect current and prospective information on macroeconomic factors that affect the customers' ability to settle the receivables. Impairment on 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. Details are provided in the Note "Financial Risk Management". |
| Provision for legal and administrative proceedings | The legal and administrative proceedings are analyzed by the Management along with its legal advisors (internal and external). The Group considers factors in its analysis such as hierarchy of laws, precedents available, recent court judgments, their relevance in the legal system and payment history. These assessments involve Management's judgment. Further detail are provided in the Note "Disputes and pending legal actions, other information, commitments and guarantees". |
| Unbilled revenues | Since some cut dates for billing occur at intermediate dates within the months of the year, as the end of each month there are revenues earned by the Group, but not actually invoiced to its customers. These unbilled revenues are recorded based on estimate that takes into consideration historical consumption data, number of days elapsed since the last billing date, among others. |
| Income tax and social contribution (current and deferred) | Income tax and social contribution (current and deferred) are calculated according to interpretations of current legislation and IAS 12. This process typically involves complex estimates to determine taxable income and temporary differences. In particular, the deferred assets on tax losses, negative basis of social contribution and temporary differences is recognized in proportion to the probability that future taxable income is available and can be used. The measurement of the recoverability of deferred income tax on tax losses, negative basis of social contribution and temporary differences takes the history of taxable income into account, as well as the estimate of future taxable income. Further detail are provided in the Note "Income taxes (current and deferred)". |

| Financial statement line item/area | Accounting estimates |
| --- | --- |
| 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, please also see the Note "Supplementary disclosures on financial instruments". |
| Leasing | The Group has a significant number of lease agreements in which it is the lessee, whereby with the adoption of accounting standard IFRS 16, the Group Management made certain judgments when measuring the lease liability and the right of use assets, such as: (i) an estimation of the lease term, considering a non-cancellable period and the periods covered by options to extend the lease term, where such exercise depends only on the Group and is reasonably certain; (ii) use of certain assumptions to calculate the discount rate.<br>According to paragraph 18 of IFRS 16, an entity shall determine the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease (if the lessee is reasonably certain to exercise that option) and periods covered by an option to terminate the lease (if the lessee is reasonably certain not to exercise that option). During the non-cancellable lease period, the contract must be enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission of the other party with no more than an insignificant penalty.<br>The Group is not able to readily determine the interest rate implicit on the lease and, therefore, considers its incremental rate on loans to measure lease liabilities. Incremental rate on the lessee´s borrowing is the interest rate that the lessee would have to pay when borrowing, for a similar term and with a similar guarantee, the resources necessary to obtain the asset with a value similar to the right of use asset in a similar economic environment. Thus, this assessment of lease, considering non-cancellable period and the period covered by options to extend the contract term. The Group estimates the incremental rate using observable data (such as market interest rates) when available and considers aspects that are specific to the Company (such as the cost of debt) in this estimate. The Group´s average incremental rate is 13,24% for an average lease term. |

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 as from January 1, 2023.

Amendments to IFRS 17 - Insurance contracts: initial application of IFRS 17 and IFRS 9 - Comparative information

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts.
IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.
-

The adoption of these amendments had no effect on the Consolidated Financial Statements 2023.

Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The adoption of these amendments had no effect on the Consolidated Financial Statements 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 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 provision for the entities to disclose their “significant” accounting policies with the provision for them to disclose their “material” accounting policies; and
- the addition of guidelines on how the entities apply the concept of “materiality” in deciding on the disclosure on the accounting policies.

The changes come into force for financial years starting after January 1, 2023.

The adoption of these amendments had no effect on the Consolidated Financial Statements 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 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 2023.

NEW STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET APPLICABLE

At the reporting date of these Consolidated Financial Statements 2023, 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 7: Statements of Cash Flows and IFRS 7 Financial instruments: Supplementary disclosures | 1 January, 2024 |
| Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates | 1 January, 2025 |
| **New Standards and Interpretations endorsed by the EU** | |
| Amendments to IAS 1 Presentation of Financial Statements: non-current liabilities with covenants | 1 January, 2024 |
| Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current | 1 January, 2024 |
| Amendments to IFRS 16: Lease liabilities in a sale and lease-back | 1 January, 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
The Group 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 Telecom Italia Finance Group".

SCOPE OF CONSOLIDATION

The changes in the scope of consolidation at December 31, 2023 compared to December 31, 2022 are listed below.

| Company | Event | Business Unit | Month |
|---|---|---|---|
| Cozani RJ Infraestrutura e Rede de Telecomunicações S.A. | Merged into TIM S.A. | Brazil | April 2023 |

Further details are provided in the Note "List of companies of the Telecom Italia Finance Group".

SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

At December 31, 2023, the Group held equity investments in subsidiaries with significant non-controlling interests in 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.

TIM Brasil Group – Brazil Business Unit
Non-controlling interests accounted at December 31, 2023 amounted to 33,4% of the capital of TIM S.A., coinciding with the corresponding voting rights.

Financial Position Data TIM Brasil Group

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Non-current assets | 8.596 | 8.649 |
| Current assets | 2.238 | 1.924 |
| **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) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Revenues | 4.412 | 3.963 |
| **Profit (loss) for the year** | **448** | **289** |
| *of which Non-controlling interests* | *175* | *102* |

Financial Data TIM Brasil Group
In 2023, aggregate cash flows generated a positive amount of 167 million euros, including a positive exchange rate effect of 20 million euros, without which cash flow would have generated a positive amount of 147 million euros.
In 2022, aggregate cash flows generated a negative amount of 369 million euros, partially due to a negative exchange rate effect of 45 million euros, without which cash flow would have generated a negative amount of (324) million euros.

Lastly, again with reference to the TIM Brasil Group, the main risk factors that could, even significantly, restrict 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 with disputes and litigation);
- financial risks;
- regulatory and compliance risks.

## Note 4 - Goodwill

Goodwill is only referred to Brazil Cash Generating unit (“CGU”) and shows the following changes during 2023 and 2022:

| (million euros) | **31/12/2022** | Increase | Decrease | Impairments | Exchange differences | **31/12/2023** |
|---|---|---|---|---|---|---|
| Brazil | **977** | — | — | — | 39 | **1.017** |

| (million euros) | **31/12/2021** | Increase | Decrease | Impairments | Exchange differences | **31/12/2022** |
|---|---|---|---|---|---|---|
| Brazil | **443** | 502 | — | — | 32 | **977** |

The gross carrying amounts of goodwill and the relative accumulated impairment losses can be summarized as follows:

| (million euros) | 31/12/2023 | | | 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Gross carrying amount | Accumulated impairment losses | **Net carrying amount** | Gross carrying amount | Accumulated impairment losses | **Net carrying amount** |
| Brazil | **1.190** | **173** | **1.017** | **1.144** | **167** | **977** |

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, 2023 to 5.439 million reais (1.190 million euros, 5.439 million reais at December 31, 2022).

With reference to the Brazil Cash Generating Unit, Goodwill recorded net exchange gains for 39 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 5,56520 as of December 31, 2022 to 5,34964 as of December 31, 2023.

In 2022 the Goodwill increased of 502 million euros (2.636 million reais) following the recognition of goodwill connected with the acquisition of some of the mobile telephone assets of Oi Móvel S.A.

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. Accordingly, the Group conducted impairment tests on the recoverability of the CGU. The results showed that the recoverable amount of the assets at December 31, 2023 was higher than the net carrying amount for the Brazil CGU (+3.484 million of euros).
The value used to measure the recoverable amount of the Cash Generating Unit to which goodwill has been allocated is the fair value, based on market capitalisation as of the end of the reporting period. The recoverable amount of the assets was denominated in the functional currency and subsequently translated at the spot exchange rate at the reporting date. In estimating the recoverable amounts, simulations were conducted on the results with respect to changes in the relevant parameters. 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%.

Considering that the recoverable amount has been based on the market capitalization, the Group did not made assumptions for estimating cash flows, including evaluation of the climate change impact.

## Note 5 - Intangible assets with a finite useful life

All intangible assets with a finite useful life in the 2023 and 2022 are referred to Brazil Business Unit.

| (millions of euros) | **31/12/2022** | Investments | Amortization | Disposals | Exchange differences | Capitalized borrowing costs | Other Changes | **31/12/2023** |
|---|---|---|---|---|---|---|---|---|
| Industrial patents and intellectual property rights | **438** | 155 | -179 | — | 18 | — | 14 | **445** |
| Concessions, licenses, trademarks and similar rights | **1.323** | 8 | -163 | — | 57 | — | 530 | **1.755** |
| Other intangible assets | **44** | 1 | -8 | — | 2 | — | — | **39** |
| Work in progress and advance payments | **530** | 20 | — | — | 16 | 18 | -546 | **38** |
| **Total** | **2.334** | **184** | **-350** | **—** | **93** | **18** | **-2** | **2.277** |

| (millions of euros) | **31/12/2021** | Investments | Amortization | Disposals | Exchange differences | Capitalized borrowing costs | Other Changes | **31/12/2022** |
|---|---|---|---|---|---|---|---|---|
| Industrial patents and intellectual property rights | **392** | 177 | -186 | — | 53 | — | 1 | **438** |
| Concessions, licenses, trademarks and similar rights | **753** | 14 | -147 | — | 70 | — | 633 | **1.323** |
| Other intangible assets | **1** | 1 | -4 | — | -2 | — | 48 | **44** |
| Work in progress and advance payments | **406** | 23 | — | — | 54 | 48 | — | **530** |
| **Total** | **1.552** | **215** | **-338** | **—** | **175** | **48** | **682** | **2.334** |

Investments in 2023 amounted to 184 million euros (215 million euros in 2022) and included 34 million euros in internally generated assets (29 million euros in 2022).
Further details are provided in the Note “Internally generated assets”.

**Industrial patents and intellectual property rights** at December 31, 2023 consisted mainly of software licenses.

**Concessions, licenses, trademarks and similar rights** at December 31, 2023 mainly related to the residual cost of telephone licenses and similar rights for 1.705 million of euros (1.268 million euros at December 31, 2022). During the 2023 financial year, in particular, the rights of use of the 3,5 GHz (5G) frequencies of the Brazil Business Unit were considered available for use by the Group, thus the transfer of goods in progress to the line of authorizations in service was carried out.

The residual amount of telephone licenses and similar rights in operation and their useful lives are detailed below:

| Type | Residual value at 31/12/2023 (million euros) | Useful life in years | Amortization expense for 2023 (million euros) |
|---|---|---|---|
| 800 MHz, 900 MHz and 1800 MHz band | 345 | From 2 to 20 | 31 |
| 1900 MHz and 2100 MHz band | 101 | From 2 to 20 | 9 |
| 700 MHz, 2500 MHz and 2.5 GHz band (4G) | 550 | From 2 to 20 | 82 |
| 2.3 GHz, 3.5 GHz, and 26 GHz band (5G) | 709 | From 10 to 20 | 33 |

**Work in progress and advance payments** relate to Brazil Business Unit 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, as the time period required for the assets to be ready for use is more than 12 months, in 2023, the related finance expenses of 18 million euros were capitalized, based on the Selic rate. The capitalized finance expenses have been deducted directly from "finance expense".

Amortization have been reported in the income statement as components of the operating result.

No impairment losses have been recorded during the year 2023 and 2022.

The gross carrying amount, accumulated impairment losses and accumulated amortization at December 31, 2023 and 2022 can be summarized as follows:

| | | 31/12/2023 | |
|---|---|---|---|
| (million euros) | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Industrial patents and intellectual property rights | 4.322 | 3.877 | 445 |
| Concessions, licenses, trademarks and similar rights | 3.556 | 1.801 | 1.755 |
| Other intangible assets with a finite useful life | 499 | 460 | 39 |
| Work in progress and advance payments | 38 | — | 38 |
| **Total intangible assets with a finite useful life** | **8.415** | **6.138** | **2.277** |

| | | 31/12/2022 | |
|---|---|---|---|
| (million euros) | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Industrial patents and intellectual property rights | 3.989 | 3.551 | 438 |
| Concessions, licenses, trademarks and similar rights | 2.896 | 1.573 | 1.323 |
| Other intangible assets with a finite useful life | 479 | 435 | 44 |
| Work in progress and advance payments | 530 | — | 530 |
| **Total intangible assets with a finite useful life** | **7.894** | **5.560** | **2.334** |

## Note 6 - Tangible assets

All tangible assets in the 2023 and 2022 are referred to Brazil Business Unit.

PROPERTY, PLANT AND EQUIPMENT OWNED

| (million euros) | 31/12/2022 | Investments | Depreciation | Disposals | Exchange differences | Other Changes | 31/12/2023 |
|---|---|---|---|---|---|---|---|
| Land | **7** | — | — | — | — | — | **7** |
| Buildings (civil and industrial) | **10** | — | -1 | — | — | — | **9** |
| Plant and equipment | **1.927** | 499 | -470 | -1 | 79 | 81 | **2.114** |
| Other | **110** | 59 | -53 | -1 | 5 | 4 | **123** |
| Construction in progress and advance payments | **94** | 84 | — | — | 4 | -97 | **85** |
| **Total** | **2.147** | **643** | **-524** | **-3** | **88** | **-12** | **2.338** |

| (million euros) | 31/12/2021 | Investments | Depreciation | Disposals | Exchange differences | Other Changes | 31/12/2022 |
|---|---|---|---|---|---|---|---|
| Land | **6** | — | — | — | 1 | — | **7** |
| Buildings (civil and industrial) | **10** | — | -1 | — | 1 | — | **10** |
| Plant and equipment | **1.501** | 510 | -465 | — | 196 | 185 | **1.927** |
| Other | **95** | 44 | -48 | -1 | 13 | 7 | **110** |
| Construction in progress and advance payments | **79** | 96 | — | — | 11 | -91 | **94** |
| **Total** | **1.691** | **650** | **-514** | **-2** | **221** | **101** | **2.147** |

Investments in 2023 amounted to 643 million euros (650 million euros in 2022) and included 69 million euros in internally generated assets (64 million euros in 2022).
Further details are provided in the Note “Internally generated assets”.

**Land** comprises both built-up land and available land and is not subject to depreciation.

**Buildings (civil and industrial)** mainly includes buildings for industrial use hosting telephone exchanges or for office use, and light constructions.

**Plant and equipment** includes the aggregate of all the structures used for the functioning of voice and data telephone traffic.

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

**Construction in progress and advance payments** refers to the internal and external costs incurred for the acquisition and internal production of tangible assets, which are not yet in use.

Depreciation have been reported in the income statement as components of the operating result.

No impairment losses have been recorded during the year 2023 and 2022.

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) | 4% |
| Plant and equipment | 4% - 33% |
| Other | 10% - 50% |

The gross carrying amount, accumulated impairment losses and accumulated depreciation at December 31, 2023 and 2022 can be summarized as follows:

| | 31/12/2023 | | |
|---|---|---|---|
| (million euros) | **Gross carrying amount** | Accumulated depreciation | Net carrying amount |
| Land | **7** | — | 7 |
| Buildings (civil and industrial) | **25** | 15 | 9 |
| Plant and equipment | **8.420** | 6.306 | 2.114 |
| Other | **1.273** | 1.150 | 123 |
| Construction in progress and advance payments | **85** | — | **85** |
| **Total** | **9.810** | **7.471** | **2.338** |

| | 31/12/2022 | | |
|---|---|---|---|
| (million euros) | **Gross carrying amount** | Accumulated depreciation | Net carrying amount |
| Land | **7** | — | 7 |
| Buildings (civil and industrial) | **24** | 14 | 10 |
| Plant and equipment | **7.549** | 5.622 | 1.927 |
| Other | **1.167** | 1.057 | 110 |
| Construction in progress and advance payments | **94** | — | **94** |
| **Total** | **8.840** | **6.693** | **2.147** |

## Note 7 - Right of use assets

At December 31, 2023 right of use assets amounted to 1.913 million euros and are referred to Brazil Business Unit. The breakdown and movements during the 2023 and 2022 are shown below.

| (millions of euros) | 31/12/2022 | Investments | Increase in lease contracts | Depreciation and amortization | Disposals | Exchange differences | Other Changes | 31/12/2023 |
|---|---|---|---|---|---|---|---|---|
| Property | 545 | — | 259 | -121 | -107 | 22 | -3 | **595** |
| Plant and equipment | 1.436 | 8 | 275 | -323 | -115 | 56 | -19 | **1.318** |
| Other | — | — | — | — | — | — | — | **—** |
| **Total** | **1.981** | **8** | **534** | **-444** | **-222** | **78** | **-22** | **1.913** |

| (millions of euros) | 31/12/2021 | Investments | Increase in lease contracts | Depreciation and amortization | Disposals | Exchange differences | Other Changes | 31/12/2022 |
|---|---|---|---|---|---|---|---|---|
| Property | 324 | — | 154 | -94 | -16 | 35 | 142 | **545** |
| Plant and equipment | 928 | 5 | 330 | -314 | -21 | 105 | 402 | **1.436** |
| Other | 1 | — | — | -1 | — | — | — | **—** |
| **Total** | **1.253** | **5** | **484** | **-409** | **-36** | **140** | **544** | **1.981** |

The increases in financial leasing contracts in 2023, equal to 534 million euros (484 million euros at December 31, 2022), include the higher value of the rights of use recorded as a result of new leases, increases of lease payments and renegotiation of agreements existing related both to land and buildings for office use and industrial relationship over time, to infrastructure sites for the mobile telephone network infrastructure and network.

The disposals are representative of the carrying amount of the assets from lease agreements that terminated early.

The item **Property** includes buildings under passive leases and related building adaptations.

The item **Plant and equipment** mainly includes the rights of use on the infrastructures for telecommunications services. This includes, among others, 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 finance lease. Further details on the operation are provided in the Note "Miscellaneous payables and other non-current liabilities".

Further details on finance lease are provided in the Note "Financial liabilities (non-current and current)".

Amortization have been recorded in the income statement as components of EBIT.
No impairment losses have been recorded during the year 2023 and 2022.

The gross carrying amount, accumulated impairment losses and accumulated depreciation at December 31, 2023 and 2022 can be summarized as follows:

| | 31/12/2023 | | |
|---|---|---|---|
| (million euros) | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Property | 924 | 329 | 595 |
| Plant and equipment | 2.356 | 1.038 | 1.318 |
| **Total** | **3.281** | **1.367** | **1.913** |

| | 31/12/2022 | | |
|---|---|---|---|
| (million euros) | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Property | 775 | 230 | 545 |
| Plant and equipment | 2.248 | 813 | 1.436 |
| Other | 8 | 8 | — |
| **Total** | **3.031** | **1.050** | **1.981** |

## Note 8 - Investments

INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

In November 2021, as a result of the spin-off of net assets from the broadband business and creation of I-Systems, TIM S.A. disposed of 51% of its equity interest on behalf of IHS. As a result of this transaction, a loss of control took place and the Group no longer consolidates the company.

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| I-Systems S.A. | 271 | 277 |
| **Total** | **271** | **277** |

The changes to the item during the year are due to equity method accounting for -17 million euros and exchange rate difference for 11 million euros.

The following table represents summarized financial information about the investment of I-Systems:

| (millions of euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| **Assets** | **384** | **327** |
| Current and non-current assets | 66 | 52 |
| Tangible and intangible assets | 318 | 275 |
| **Liabilities and shareholders' equity** | **384** | **327** |
| Current and non-current liabilities | 125 | 72 |
| Shareholders' equity | 259 | 256 |
| **Net loss for the year** | **-34** | **-23** |
| **Group's proportional interest** | **49 %** | **49 %** |
| **Group's interest in the associated company's income (loss)** | **-17** | **-11** |

The Groups' proportional share of the shareholders' equity in I-Systems S.A. corresponds to 127 million euros. The difference with the value of the investment is due to the higher fair value attributed at the acquisition of the associate.

INVESTMENTS IN STRUCTURED ENTITIES

The Group does not hold investments in structured entities.

OTHER INVESTMENTS

Other investments refer mainly to the following:

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Banco C6 S.A. | 30 | — |
| Upload Ventures Growth | 10 | — |
| **Total** | **40** | **—** |

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) of 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 “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.

Further details on Financial Instruments are provided in Note "Supplementary disclosure on financial instruments".

## Note 9 - Financial assets (non-current and current)

| (millions of euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | | |
| **Non-current financial assets** | **1.547** | **1.706** |
| | | |
| Financial receivables for lease contracts | 39 | 37 |
| Hedging derivatives relating to hedged items classified as non-current assets/ liabilities of a financial nature | 1 | 2 |
| Non-hedging derivatives | 379 | 503 |
| Loans and other financial receivables | 1.128 | 1.164 |
| | | |
| **Current financial assets** | **5.466** | **4.656** |
| | | |
| **Securities other than investments** | **1.882** | **1.446** |
| Fair value through other comprehensive income (FVTOCI) | 1.516 | 1.040 |
| Fair value through profit or loss (FVTPL) | 366 | 406 |
| | | |
| **Financial receivables and other current financial assets** | **755** | **168** |
| Financial receivables arising from lease contracts | 6 | 6 |
| Non-hedging derivatives | 127 | 71 |
| Loans and other financial receivables | 622 | 91 |
| | | |
| **Cash and cash equivalents** | **2.830** | **3.042** |
| | | |
| **Total non-current and current financial assets** | **7.013** | **6.362** |

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

**Financial receivables for lease contracts** refers to finance leases on rights of use (Brazil Business Unit).

**Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature** refers mainly to the mark-to-market component of the hedging derivatives.

**Non-hedging derivatives** relating to items classified as current and non-current financial assets totaled 505 million euros (574 million euros at December 31, 2022). These 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 and derivatives put in place in the framework of the activity of centralizing all the banking exposures of the TIM Group (further details are provided in the Note “Derivatives”). At December 31, 2023 the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit is equal to 94 million euros (112 million euros at December 31, 2022) in relation to the option to subscribe shares of C6 Bank with which TIM S.A. entertains commercial relations.

**Loans and receivables** both in current and non-current financial assets amounts to 1.750 million euros (1.256 million euros at December 31, 2022) and refers to loans granted by the Parent to the ultimate Parent and other TIM Group companies. Regarding the loans granted to the ultimate Parent company, the credit risk is considered low based on the financial capability of TIM S.p.A. Other loans are considered fully recoverable by the management.

**Securities other than investments included in current assets relates to:**

- listed securities, classified as FVTOCI - *Fair value through other comprehensive income,* due beyond three months. They consist of 1.007 million euros (368 million euros at December 31, 2022) of treasury bonds and 509 million euros (672 million euros at December 31, 2022) of bonds purchased by the Parent with different maturities, all with an active market and consequently readily convertible into cash. The above government bonds represent investments in "Sovereign debt securities”.
- securities, classified as FVTPL - *Fair value through profit or loss*, due beyond three months. They are related to the investment made by the Brazil Business Unit for an equivalent value of 366 million euros (406 million euros at December 31, 2022) in monetary funds.

At December 31, 2023, Telecom Italia Finance S.A raised short-term capital (note "Financial liabilities (non-current and current)") with government and corporate bonds serving as collateral for a total value of 847 million euros by entering in repurchase agreements (“Repo”) expiring in short term.

At December 31, 2023, the Parent has contracts of security lending with TIM S.p.A. for a total of 171,0 million euros of government bonds.

On February 14, 2023, Telecom Italia Finance agreed to grant a pledge over securities in favor of the European Investment Bank (“BEI”) as security for the performance of TIM S.p.A. obligations under three loans granted by BEI to TIM S.p.A. during 2019 and 2021. The value of the guarantee provided by TI Finance is 360,5 million euros.

As per IFRS9, the assets have not been derecognized, being Telecom Italia Finance S.A. the Company which retains the risks and benefits associated with the position.

**Cash and cash equivalents:**

| (millions of euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Liquid assets with banks, financial institutions and post offices | 1.485 | 1.241 |
| Other financial receivables (due within 3 months) | 727 | 868 |
| Securities other than investments (due within 3 months) | 618 | 932 |
| **Total** | **2.830** | **3.042** |

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

| (millions of euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Liquid assets with banks, financial institutions and post offices | 1.485 | 1.241 |
| Other financial receivables (due within 3 months) | 727 | 868 |
| Securities other than investments (due within 3 months) | 618 | 932 |
| | **2.830** | **3.042** |
| Financial payables (due within 3 months) | -67 | -11 |
| **Total** | **2.763** | **3.030** |

The different technical forms of investing available cash at December 31, 2023 had the following characteristics:

- maturities: all deposits have a maximum maturity date of three months;
- counterparty risk: deposits have been made with leading high-credit-quality banks and financial institutions with a rating class of at least BBB and non non-negative outlook with regard to Europe, and with leading local counterparts with regard to investments in South America;
- country risk: deposits have been made mainly by the Parent company in major European financial markets.

**Other financial receivables (due within 3 months) r**efers to loans granted by the Parent to the Ultimate Parent and other TIM Group companies. All loans are considered fully recoverable by the management.

**Securities other than investments (due within 3 months)** included 618 million euros (447 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 10 - Miscellaneous receivables and other non-current assets

| (million euros) | 31/12/2023 | Of which Financial Instruments | 31/12/2022 | Of which Financial Instruments |
|---|---|---|---|---|
| **Miscellaneous receivables** | **345** | **140** | **516** | **262** |
| **Other non-current assets** | **26** | **—** | **14** | **—** |
| Prepaid expenses from customer contracts (contract assets) | 6 | — | 5 | — |
| Other prepaid expenses | 20 | — | 9 | — |
| **Total** | **371** | **140** | **531** | **262** |

As at December 31, 2023 **Miscellaneous receivables** relate to the Brazil Business Unit for an amount of 345 million euros (516 million euros at December 31, 2022). They include:

- receivables for judicial deposits of 129 million euros (245 million euros at December 31, 2022). The reduction in judicial deposit 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 “Disputes and Pending Legal Actions, other information, commitments and guarantees”;
- non-current income tax receivables of 41 million euros (93 million euros at December 31, 2022);
- receivables for indirect taxes totaling 147 million euros (152 million euros at December 31, 2022).

**Other non-current assets** include prepaid expenses related to the Brazil BU for 26 million euros (14 million euros at December 31, 2022) and is mainly represented by incremental costs related to sales commissions paid to partners for obtaining customer contracts arising from the adoption of IFRS 15, which are deferred to the result in accordance with the term of the contract and/or economic benefit, usually from 1 to 2 years.

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

## Note 11 - Income taxes (current and deferred)

INCOME TAX RECEIVABLES

Non-current and current income tax receivables at December 31, 2023 amounted to 180 million euros (198 million euros at December 31, 2022) and related to the Brazil Business Unit.
Specifically, they consisted of:

- non-current receivables of 41 million euros (93 million at December 31, 2022). 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 535 million reais) 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 470 million reais);
- current income tax receivables of 139 million euros (105 million euros at December 31, 2022). They include TIM S.A.'s receivables relating to the positive outcome of the above-mentioned decision of the Brazilian Supreme Federal Court.

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The net balance of 235 million euros at December 31, 2023 (246 million euros at December 31, 2022) was broken down as follows:

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Deferred tax assets | 235 | 246 |
| Deferred tax liabilities | — | — |
| **Total** | **235** | **246** |

Deferred taxes are all attributable to Brazil BU.

Since the presentation of deferred tax assets and liabilities 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) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Deferred tax assets | 599 | 511 |
| Deferred tax liabilities | -364 | -265 |
| **Total** | **235** | **246** |

The temporary differences that made up this line item at December 31, 2023 and 2022, as well as the movements during 2023 were as follows:

| (million euros) | 31/12/2022 | Recognized in profit or loss | Recognized in equity | Change in scope of consolidatiom, exchange differences and other changes | 31/12/2023 |
|---|---|---|---|---|---|
| **Deferred tax assets** | **511** | **39** | **—** | **50** | **599** |
| Tax loss carryforwards | 17 | -9 | — | 30 | 38 |
| Provision for bad debts | 36 | 6 | — | 2 | 43 |
| Provisions | 199 | 45 | — | 99 | 344 |
| Other deferred tax assets | 258 | -3 | — | -81 | 175 |
| **Deferred tax liabilities** | **-265** | **-88** | **—** | **-12** | **-364** |
| Derivatives | -29 | -14 | — | -1 | -44 |
| Business combinations - for step-up of net assets in excess of tax basis | -57 | -41 | — | -3 | -101 |
| Accelerated depreciation | -128 | -33 | — | -5 | -167 |
| Other deferred tax liabilities | -51 | — | — | -2 | -53 |
| **Total Net deferred tax assets (liabilities)** | **246** | **-49** | **—** | **39** | **235** |

At December 31, 2023, the Group had unused tax loss carryforwards of 790 million euros with the following expiration dates:

| Year of expiration | (million euros) |
|---|---|
| 2024 | — |
| 2025 | — |
| 2026 | — |
| 2027 | — |
| 2028 | — |
| Expiration after 2028 | 28 |
| Without expiration | 762 |
| **Total unused tax loss carryforwards** | **790** |

Unused tax loss carryforwards considered in the calculation of deferred tax assets amounted to 136 million euros at December 31, 2023 (65 million euros at December 31, 2022) and referred to the Brazil Business Unit. Deferred tax assets are recognized when it is 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 148 million euros (198 million euros at December 31, 2022) have not been recognized by the Parent on 593 million euros (794 million euros at December 31, 2022) of tax loss carryforwards since, at this time, their recoverability is not considered probable.
At December 31, 2023, deferred tax liabilities have not been recognized on approximately 1,2 billion euros (0,2 billion euros at December 31, 2022) of tax-suspended reserves and undistributed earnings, because the 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

Income tax payables amounted to 18 million euros (14 million euros at December 31, 2022) and are mainly related to Brazil Business Unit. They were broken down as follows:

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Non-Current | — | — |
| Current | 18 | 14 |
| **Total** | **18** | **14** |

INCOME TAX INCOME (EXPENSE)

Details are as follows:

| (million euros) | Year 2023 | Year 2022 |
|---|---|---|
| Current taxes for the year | 37 | 56 |
| Net difference in prior year estimates | — | — |
| **Total current taxes** | **37** | **56** |
| Deferred taxes | 49 | -24 |
| **Total income tax for the year** | **86** | **32** |

The reconciliation between the theoretical tax expense, and the effective tax expense for the years ended December 31, 2023 and 2022 is the following:

| (million euros) | Year 2023 | Year 2022 |
|---|---|---|
| | | |
| **Profit (loss) before tax** | **597** | **254** |
| **Theoretical income tax** | **149** | **63** |
| | | |
| Income tax effect on increases (decreases) in variations | | |
| Tax losses of the year not considered recoverable | -53 | -15 |
| Different rate compared to theoretical rate in force in Luxembourg and other changes | 34 | 13 |
| Brazil: incentive on investments | -44 | -29 |
| | | |
| **Total effective income tax recognized in income statement** | **86** | **32** |

During the year 2023 tax losses of 53 million euros have been considered not recoverable in relation to tax loss carryforwards whose recoverability is not considered probable.

The tax rate in force in Luxembourg as at December 31, 2023 and 2022 is 24,94%.

## Note 12 - Inventories

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Finished goods | 62 | 42 |
| **Total** | **62** | **42** |

The inventories mainly consist of cell phones and tablets, accessories and prepaid cards and are related to Brazil Business Unit.

## Note 13 - Trade and miscellaneous receivables and other current assets

| (million euros) | 31/12/2023 | Of which Financial Instruments | 31/12/2022 | Of which Financial Instruments |
|---|---|---|---|---|
| | | | | |
| **Trade receivables** | **727** | **727** | **654** | **654** |
| Receivables from customers | 610 | 610 | 575 | 575 |
| Receivables from other telecommunications operators | 117 | 117 | 79 | 79 |
| | | | | |
| **Miscellaneous receivables** | **209** | **3** | **157** | **4** |
| | | | | |
| **Other current assets** | **49** | **4** | **54** | **4** |
| Prepaid expenses from customer contracts (contract assets) | 34 | 4 | 31 | 4 |
| Other prepaid expenses | 15 | — | 23 | — |
| | | | | |
| **Total** | **985** | **734** | **865** | **662** |

The aging of financial instruments included in "Trade and miscellaneous receivables and other current assets" at December 31, 2023 and 2022 was as follows:

| | | | | overdue: | | | |
|---|---|---|---|---|---|---|---|
| (million euros) | **31/12/2023** | Total non-overdue | Total overdue | 0-90 days | 91-180 days | 181-365 days | More than 365 days |
| Net trade and miscellaneous receivables and other current assets | 734 | 586 | 148 | 85 | 25 | 38 | — |

| | | | | overdue: | | | |
|---|---|---|---|---|---|---|---|
| (million euros) | **31/12/2022** | Total non - overdue | Total overdue | 0-90 days | 91-180 days | 181-365 days | More than 365 days |
| Net trade and miscellaneous receivables and other current assets | 662 | 567 | 95 | 68 | 6 | 21 | — |

The increase in the non-overdue portion (18 million euros) includes a negative exchange adjustment of approximately 21 million euros.

Overdue receivables increased of 53 million of euros compared to December 31, 2022, including a positive exchange difference of around 5 million euros.

As at December 31, 2023 **Trade receivables** related to the Brazil Business Unit amounted to 727 million euros (654 million euros at December 31, 2022) and are stated net of the provision for expected credit losses of 118 million euros (105 million euros at December 31, 2022).

Movements in the provision for expected credit losses were as follows:

| (million euros) | 2023 | 2022 |
|---|---|---|
| **At January 01** | **105** | **118** |
| Provision charges to the income statement | 118 | 115 |
| Utilization and decreases | -110 | -152 |
| Change in scope | — | 7 |
| Exchange differences and other changes | 4 | 17 |
| **At December 31** | **118** | **105** |

As at December 31, 2023 **Miscellaneous receivables** amounted to 209 million euros (157 million euros at December 31, 2022) and did not include provisions for bad debts (same as at December 31, 2022).

Details are as follows:

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Advances to suppliers | 12 | 6 |
| Tax receivables | 153 | 120 |
| Sundry receivables | 44 | 32 |
| **Total** | **209** | **157** |

As at December 31, 2023 **Tax receivables** included 153 million euros (120 million euros at December 31, 2022) referring to the Brazil Business Unit and related to local indirect taxes.

**Other current assets** include the current portion of prepaid expenses related to the Brazil BU and is mainly represented by incremental costs related to sales commissions paid to partners for obtaining customer contracts arising from the adoption of IFRS 15, which are deferred to the result in accordance with the term of the contract and/or economic benefit, usually from 1 to 2 years.

**Other prepaid expenses** refers to the Brazil BU and are essentially related to the deferral of service costs.

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

## Note 14 - Share capital issued

As at December 31, 2023 the authorized, issued and fully paid capital of 1.818.691.978,50 euros (1.818.691.978,50 euros at December 31, 2022) is represented by 185.960.325 ordinary shares (185.960.325 at December 31, 2022) with a nominal value of EUR 9,78 per share.

As at December 31, 2023 and 2022 the Parent is 100% held by TIM S.p.A.

There has not been any movement in Share Capital in the 2023.

## Note 15 - Financial liabilities (non-current and current)

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

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | | |
| **Non-current financial liabilities** | **4.796** | **4.230** |
| | | |
| **Financial payables (medium/long-term):** | **2.591** | **1.972** |
| Bonds | 2.176 | 1.331 |
| Amounts due to banks | 120 | 348 |
| Other financial payables | 295 | 294 |
| | | |
| **Finance lease liabilities (medium/long-term)** | **1.953** | **1.900** |
| | | |
| **Other financial liabilities (medium/long-term):** | **252** | **358** |
| Non-hedging derivatives | 252 | 358 |
| | | |
| **Current financial liabilities** | **2.084** | **1.640** |
| | | |
| **Financial payables (short-term):** | **1.632** | **1.143** |
| Bonds | 204 | 73 |
| Amounts due to banks | 1.348 | 1.048 |
| Other financial payables | 80 | 23 |
| | | |
| **Finance lease liabilities (short-term)** | **338** | **406** |
| | | |
| **Other financial liabilities (short-term):** | **114** | **91** |
| Hedging derivatives | — | — |
| Non-hedging derivatives | 114 | 91 |
| | | |
| **Total financial liabilities (gross financial debt)** | **6.880** | **5.870** |

Further details on Financial Instruments are provided in the Note “Supplementary disclosure on financial instruments”.

The breakdown of gross financial debt by effective interest rate bracket, excluding the effect of any derivative instruments, is provided below:

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Up to 2,5% | 187 | 740 |
| From 2,5% to 5% | 1.334 | 246 |
| From 5% to 7,5% | 221 | 552 |
| From 7,5% to 10% | 1.264 | 1.012 |
| Over 10% | 3.385 | 2.744 |
| Accruals/deferrals, MTM and derivatives | 489 | 575 |
| **Total** | **6.880** | **5.870** |

Following the use of derivative instruments[*], on the other hand, the gross financial debt by nominal interest rate bracket is:

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Up to 2,5% | 128 | 640 |
| From 2,5% to 5% | 913 | 7 |
| From 5% to 7,5% | — | 320 |
| From 7,5% to 10% | 1.338 | 1.111 |
| Over 10% | 4.012 | 3.216 |
| Accruals/deferrals, MTM and derivatives | 489 | 575 |
| **Total** | **6.880** | **5.870** |

[*] These 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. Further details on derivative instruments are provided in the Note "Derivatives".

The following table lists the changes in bonds during 2023:

**New issues**

| (millions of original currency) | Currency | Amount | Issue date |
|---|---|---|---|
| TIM Brasil Serviços e Participações SA 5,000 million BRL | BRL | 5.000 | 31/07/2023 |

The following tables list the bonds issued by the Group, expressed at the nominal repayment amount, net of bond repurchases, and also at market value as at December 31, 2023:

| Currency | Amount (millions) | Nominal repayment amount at 31/12/2023 (millions of euros) | Coupon | Issue date | Maturity date | Issue price (%) | Market price at 31/12/2023 (%) | Market value at 31/12/2023 (millions of euros) |
|---|---|---|---|---|---|---|---|---|
| Bonds issued by Telecom Italia Finance and guaranteed by TIM S.p.A. | | | | | | | | |
| Euro | 1.015 | 1.015 | 7,750 % | 24/01/2003 | 24/01/2033 | 109,646[*] | 117,027 | 1.188 |
| Bonds issued by TIM S.A. | | | | | | | | |
| BRL | 1.600 | 299 | IPCA+4,1682% | 15/06/2021 | 15/06/2028 | 100 | 113,295 | 339 |
| Bonds issued by TIM Brasil Serviços e Participações S.A. [**] | | | | | | | | |
| BRL | 5.000 | 935 | CDI+2,3% | 31/07/2023 | 25/07/2028 | 100 | 103,963 | 972 |
| **Total** | | | | | | | | **2.499** |

[*]Weighted average issue price for bonds issued with more than one tranche.
[**] The issuance is guaranteed by the economic rights on TIM S.A. shares.

**Amounts due to banks (medium/long term)** of 120 million euros (348 million euros at December 31, 2022) decreased by 228 million euros, mainly as net result of new loans and the transfer to the current portion.

As at December 31, 2023 **Other financial payables (medium/long-term)** amounted to 295 million euros (294 million euros at December 31, 2022) corresponding to Telecom Italia Finance loan of 20.000 million Japanese yens expiring in 2029.

**Finance lease liabilities (medium/long-term)** totalled 1.953 million euros at December 31, 2023 (1.900 million euros at December 31, 2022). With reference to the financial lease liabilities recognized, in 2023 and 2022 the following is noted:

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Principal reimbursements | 339 | 295 |
| Cash out interest portion | 263 | 224 |
| **Total** | **602** | **519** |

The lease amounts considered low-value or short-term (less than 12 months) were recognized as rental expenses and totaled 6 million euros in 2023 (7 million euros in 2022).

**Non-hedging derivatives** relating to items classified as current and non-current financial liabilities totaled 365 million euros (449 million euros at December 31, 2022). These 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 and derivatives put in place in the framework of the activity of centralizing all the banking exposures of the TIM Group (further details are provided in the Note “Derivatives”).

**Short-term amounts due to banks** totaled 1.348 million euros (1.048 million euros at December 31, 2022) and included 237 million euros of the current portion of medium/long-term amounts due to banks. As at December 31, 2023 the item includes 847 million euros of short-term capital raised by entering in repurchase agreements (“Repo”).

Further details on Financial Instruments are provided in the Note “Supplementary disclosure on financial instruments”.

### Note 16 - Net financial debt

The following table shows the net financial debt 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).

| (million euros) | | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| | | | |
| Liquid assets with banks, financial institutions and post offices | a) | 1.485 | 1.241 |
| Other cash and cash equivalents | b) | 618 | 932 |
| Securities other than investments | c) | 1.521 | 1.446 |
| **Liquidity** | **d=a+b+c** | **3.624** | **3.620** |
| | | | |
| Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt) | e) | 1.178 | 831 |
| Current portion of non-current financial debt | f) | 779 | 738 |
| **Current financial debt** | **g=e+f** | **1.957** | **1.569** |
| | | | |
| **Net current financial debt** | **h=g-d** | **-1.667** | **-2.051** |
| | | | |
| Non-current financial debt (excluding the current part and debt instruments) | i) | 2.240 | 2.395 |
| Debt instruments | j) | 2.176 | 1.331 |
| Trade payables and other non-current debt | k) | 65 | 116 |
| **Non-current financial debt** | **l=i+j+k** | **4.481** | **3.842** |
| | | | |
| **Total net financial debt as per ESMA guidelines 32-382-1138** | **m=h+l** | **2.815** | **1.790** |
| | | | |
| Trade payables and other non-current debt | | -65 | -116 |
| Loans and other non-current financial receivables | | -1.128 | -1.164 |
| Non-current financial receivables arising from lease contracts | | -39 | -37 |
| Loans and other current financial receivables | | -1.710 | -959 |
| Current financial receivables arising from lease contracts | | -6 | -6 |
| **Subtotal** | **n)** | **-2.948** | **-2.283** |
| | | | |
| **Net financial debt carrying amount[*]** | **o=m+n** | **-133** | **-492** |

[*] For details of the effects of related party transactions on net financial debt, see the specific table in the Note "Related party transactions".

The following additional disclosures are provided in accordance with IAS 7:

| (million euros) | | Cash movements | | Non-cash movements | | | |
|---|---|---|---|---|---|---|---|
| | 31/12/2022 | Receipts and/or issues | Payments and/or reimbursements | Differences exchange rates | Fair value changes | Other changes | 31/12/2023 |
| **Financial payables (medium/long-term):** | **2.284** | **926** | **-222** | **14** | **—** | **43** | **3.045** |
| Bonds | 1.404 | 926 | — | 22 | — | 28 | 2.380 |
| Amounts due to banks | 576 | — | -222 | — | — | 4 | 357 |
| Other financial payables | 305 | — | — | -8 | — | 11 | 308 |
| | | | | | | | |
| *of which short-term portion* | *312* | — | *-222* | *-6* | — | *369* | *454* |
| | | | | | | | |
| **Finance lease liabilities (medium/long-term):** | **2.306** | **335** | **-336** | **-143** | **—** | **129** | **2.291** |
| | | | | | | | |
| *of which short-term portion* | *406* | — | *-336* | *-219* | — | *487* | *338* |
| | | | | | | | |
| **Other financial liabilities (medium/long-term):** | **445** | **—** | **—** | **-30** | **-47** | **-2** | **366** |
| Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature | — | — | — | — | — | — | — |
| Non-hedging derivatives | 445 | — | — | -30 | -47 | -2 | 365 |
| | | | | | | | |
| *of which short-term portion* | *88* | — | — | *-1* | *-28* | *55* | *114* |
| | | | | | | | |
| **Financial payables (short-term):** | **835** | **340** | **-5** | **—** | **1** | **7** | **1.178** |
| Amounts due to banks | 820 | 284 | — | — | — | 7 | 1.111 |
| Non-hedging derivatives | 4 | — | -5 | — | 1 | — | — |
| Other financial payables | 11 | 56 | — | — | — | — | 67 |
| | | | | | | | |
| **Total financial liabilities (gross financial debt)** | **5.870** | **1.600** | **-563** | **-159** | **-46** | **177** | **6.880** |
| | — | | | | | | — |
| Positive hedging derivatives (current and non-current) | 2 | — | — | — | — | — | 2 |
| | | | | | | | |
| Positive non-hedging derivatives (current and non-current) | 574 | — | -3 | -41 | -43 | 18 | 505 |
| | | | | | | | |
| **Total** | **5.294** | **1.600** | **-560** | **-118** | **-3** | **159** | **6.373** |

| (million euros) | | Cash movements | | Non-cash movements | | | |
|---|---|---|---|---|---|---|---|
| | 31/12/2021 | Receipts and/or issues | Payments and/or reimbursements | Differences exchange rates | Fair value changes | Other changes | 31/12/2022 |
| **Financial payables (medium/long-term):** | **1.983** | **288** | **-104** | **81** | **—** | **36** | **2.284** |
| Bonds | 1.350 | — | — | 35 | — | 18 | 1.404 |
| Amounts due to banks | 345 | 288 | -104 | 39 | — | 8 | 576 |
| Other financial payables | 289 | — | — | 7 | — | 10 | 305 |
| | | | | | | | |
| *of which short-term portion* | *168* | — | *-104* | *7* | — | *241* | *312* |
| | | | | | | | |
| **Finance lease liabilities (medium/long-term):** | **1.434** | **184** | **-301** | **168** | **—** | **820** | **2.306** |
| | | | | | | | |
| *of which short-term portion* | *201* | — | *-301* | *12* | — | *493* | *406* |
| | | | | | | | |
| **Other financial liabilities (medium/long-term):** | **635** | **—** | **—** | **91** | **-285** | **5** | **445** |
| Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature | — | — | — | — | — | — | — |
| Non-hedging derivatives | 634 | — | — | 91 | -285 | 5 | 445 |
| | | | | | | | |
| *of which short-term portion* | *53* | — | — | *8* | *16* | *11* | *88* |
| | | | | | | | |
| **Financial payables (short-term):** | **1.122** | **7** | **-296** | **—** | **-2** | **3** | **835** |
| Amounts due to banks | 1.112 | — | -296 | — | — | 3 | 820 |
| Non-hedging derivatives | 1 | 4 | — | — | -2 | — | |
| Other financial payables | 8 | 3 | — | — | — | — | 11 |
| | | | | | | | |
| **Total financial liabilities (gross financial debt)** | **5.174** | **480** | **-701** | **340** | **-287** | **864** | **5.870** |
| | | | | | | | |
| Positive hedging derivatives (current and non-current) | 2 | — | — | — | — | — | 2 |
| | | | | | | | |
| Positive non-hedging derivatives (current and non-current) | 753 | 3 | — | 89 | -288 | 17 | 574 |
| | | | | | | | |
| **Total** | **4.419** | **476** | **-701** | **251** | **1** | **847** | **5.294** |

## Note 17 - Financial risk management

Financial risk management objectives and policies of the Group
The 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-fulfilment 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 TIM Group level, of guidelines for directing operations;
- the work of a TIM Group 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 Group are described below.

Identification of risks and analysis
The 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, principally Europe and Latin America.
The financial risk management policies of the Group are directed towards diversifying market risks, hedging exchange rate risk and minimizing interest rate exposure by an appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments.
At TIM Group level is defined 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 mainly uses the following financial derivatives:
- Interest Rate Swaps (IRSs), 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 (CCIRSs) and Currency Forwards, to convert loans and bonds issued in currencies other than the functional currencies of the operating companies to the functional currencies of the operating companies.

Derivative financial instruments may be designated as fair value hedges for managing exchange rate and interest rate risk 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, 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 interest rate risk. The Group has not applied fair value hedge accounting for the year ended 31 December 2023;
- 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 positions denominated in currencies other than the functional currency of the single companies' Financial Statements was hedged. 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 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 12 million euros (2 million euros at December 31, 2022).

Credit risk
Exposure to credit risk for the 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 Group uses 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. The 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.
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 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.
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 Guidelines on "Management and control of financial risk" established by the ultimate Parent entity TIM S.p.A.

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.
Current financial assets at December 31, 2023, together with unused committed bank lines, are sufficient to fully cover the Group's financial liabilities due at least for the next 24 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, 2023 and December 31, 2022. The portions of principal and interest of the hedged liabilities includes both the disbursements and the receipts of the related hedging derivatives.

Financial liabilities – Maturities of contractually expected disbursements as at December 31, 2023:

| | maturing by 31/12 of the year: | | | | | | |
|---|---|---|---|---|---|---|---|
| (million euros) | 2024 | 2025 | 2026 | 2027 | 2028 | After 2028 | Total |
| Bonds | | | | | | | |
| Principal | 110 | 220 | 220 | 220 | 464 | 1.015 | 2.249 |
| Interest Portion | 212 | 183 | 151 | 117 | 86 | 393 | 1.141 |
| Loans and other financial liabilities | | | | | | | |
| Principal | 233 | 49 | 31 | 31 | 23 | 281 | 648 |
| Interest Portion | 37 | 22 | 19 | 17 | 15 | 16 | 125 |
| Finance lease liabilities | | | | | | | — |
| Principal | 331 | 225 | 202 | 193 | 186 | 1.147 | 2.284 |
| Interest Portion | 228 | 205 | 183 | 161 | 140 | 522 | 1.438 |
| **Non-current financial liabilities** | | | | | | | |
| **Principal** | **674** | **494** | **453** | **444** | **673** | **2.443** | **5.181** |
| **Interest Portion** | **477** | **409** | **352** | **295** | **240** | **932** | **2.705** |
| | | | | | | | |
| **Current financial liabilities** | | | | | | | |
| **Principal** | **1.165** | — | — | — | — | — | **1.165** |
| **Interest Portion** | **45** | — | — | — | — | — | **45** |
| | | | | | | | |
| **Total Financial liabilities** | | | | | | | |
| **Principal** | **1.839** | **494** | **453** | **444** | **673** | **2.443** | **6.346** |
| **Interest Portion** | **521** | **409** | **352** | **295** | **240** | **932** | **2.749** |

Derivatives on financial liabilities – Contractually expected interest flows as at December 31, 2023:

| | maturing by 31/12 of the year: | | | | | | |
|---|---|---|---|---|---|---|---|
| (million euros) | 2024 | 2025 | 2026 | 2027 | 2028 | After 2028 | Total |
| Disbursements | 1 | 1 | 1 | 1 | 1 | 1 | 6 |
| Receipts | -1 | -1 | -1 | -1 | -1 | -1 | -8 |
| **Hedging derivatives – net disbursements (receipts)** | — | — | — | — | — | — | **-2** |
| Disbursements | 332 | 194 | 283 | 272 | 253 | 621 | 1.956 |
| Receipts | -294 | -181 | -290 | -284 | -272 | -626 | -1.946 |
| **Non-Hedging derivatives – net disbursements (receipts)** | **39** | **13** | **-6** | **-12** | **-19** | **-5** | **10** |
| **Total net disbursements (receipts)** | **39** | **12** | **-7** | **-12** | **-19** | **-5** | **8** |

Financial liabilities – Maturities of contractually expected disbursements as at December 31, 2022:

| | maturing by 31/12 of the year: | | | | | | |
|---|---|---|---|---|---|---|---|
| (million euros) | 2023 | 2024 | 2025 | 2026 | 2027 | After 2027 | Total |
| Bonds | | | | | | | |
| Principal | — | — | — | — | — | 1.303 | 1.303 |
| Interest Portion | 86 | 86 | 87 | 85 | 83 | 473 | 901 |
| Loans and other financial liabilities | | | | | | | |
| Principal | 222 | 241 | 47 | 28 | 28 | 297 | 864 |
| Interest Portion | 45 | 41 | 23 | 20 | 18 | 28 | 176 |
| Finance lease liabilities | | | | | | | — |
| Principal | 366 | 790 | 217 | 132 | 105 | 657 | 2.266 |
| Interest Portion | 265 | 218 | 176 | 138 | 122 | 563 | 1.481 |
| **Non-current financial liabilities** | | | | | | | |
| **Principal** | **588** | **1.031** | **264** | **160** | **134** | **2.256** | **4.432** |
| **Interest Portion** | **396** | **346** | **285** | **243** | **223** | **1.064** | **2.558** |
| | | | | | | | |
| **Current financial liabilities** | | | | | | | |
| **Principal** | **826** | — | — | — | — | — | **826** |
| **Interest Portion** | **23** | — | — | — | — | — | **23** |
| | | | | | | | |
| **Total Financial liabilities** | | | | | | | |
| **Principal** | **1.414** | **1.031** | **264** | **160** | **134** | **2.256** | **5.258** |
| **Interest Portion** | **419** | **346** | **285** | **243** | **223** | **1.064** | **2.581** |

Derivatives on financial liabilities – Contractually expected interest flows as at December 31, 2022:

| | maturing by 31/12 of the year: | | | | | | |
|---|---|---|---|---|---|---|---|
| (million euros) | 2023 | 2024 | 2025 | 2026 | 2027 | After 2027 | Total |
| Disbursements | 1 | 1 | 1 | 1 | 1 | 2 | 7 |
| Receipts | -1 | -1 | -1 | -1 | -1 | -3 | -9 |
| **Hedging derivatives – net disbursements (receipts)** | — | — | — | — | — | **-1** | **-2** |
| Disbursements | 444 | 311 | 183 | 266 | 252 | 930 | 2.385 |
| Receipts | -385 | -276 | -161 | -260 | -255 | -946 | -2.283 |
| **Non-Hedging derivatives – net disbursements (receipts)** | **59** | **35** | **22** | **7** | **-3** | **-17** | **102** |
| **Total net disbursements (receipts)** | **58** | **35** | **22** | **6** | **-3** | **-18** | **100** |

Market value of derivative instruments
In order to determine the fair value of derivatives, the 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 IRSs 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.

## Note 18 - Derivatives

The hedge accounting rules provided by IAS 39 continued to be applied for derivatives.

Derivative financial instruments are used by the 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.
IRSs 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 CCIRSs 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.

In carrying out its role of providing financial assistance to TIM Group companies, Telecom Italia Finance aggregates all the exposure with some banking counterparties in just one entity. As a consequence, the Group has derivative contracts signed with banks and analogous intercompany derivative contracts with other TIM Group companies for a notional amount of 3.048 million euros (3.478 million euros at December 31, 2022).
The balance of asset and liability measurements of these contracts is equal to zero.

The following tables show the derivative financial instruments of the Group at December 31, 2023 and December 31, 2022, by type. 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 31/12/2023 | Notional amount at 31/12/2022 | Spot Mark-to-Market (Clean Price) at 31/12/2023 | Spot Mark-to-Market (Clean Price) at 31/12/2022 |
|---|---|---|---|---|---|
| Cross Currency and Interest Rate Swap [*] | Interest rate risk and currency exchange rate risk | 139 | 139 | 1 | 2 |
| **Total Cash Flow Hedge Derivative [**]** | | **139** | **139** | **1** | **2** |
| **Total Non-Hedge Accounting Derivatives [***]** | | **3.852** | **4.712** | **92** | **99** |
| **Total Telecom Italia Finance Group Derivatives** | | **3.990** | **4.850** | **93** | **100** |

[*] For this instrument contracts no exchange of notional amounts has been agreed with the counterparties.
[**] On the liability expiring on 2029, derivatives are both accounted in CFH and non-hedge; accordingly, although it is a single issue, the notional amount of derivatives is included in both the CFH and non-hedging groupings.
[***] Telecom Italia Finance Group entered into some derivatives on other TIM Group companies request. Since TIF Group has a contract with an external counterparty and the opposite contract with an affiliated company (outside the perimeter of consolidation), the MTM exposure on these positions is neutral and there is no risk connected. The notional amounts are exposed for all these positions.

The MTM of Non-Hedge Accounting Derivatives is mainly related to 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.
The hedging of cash flows by cash flow hedges was considered highly effective and at December 31, 2023 led to recognition in equity of unrealized result of -0,5 million euros (0,3 million euros as at December 31, 2022).

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:

| Currency of denomination | Notional amount in currency of denomination (million) | Start of period | End of period | Rate applied | Interest period |
|---|---|---|---|---|---|
| USD | 186 | Jan-23 | Oct-29 | 0,75 % | Semiannually |

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.

No material ineffective portion has been recognized in the income statement from designated cash flow hedge derivatives during 2023.

## 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 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, 2023 has been assumed.

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. For long term loans towards the Ultimate Parent Company, the present value of future cash flows at the market interest rates of December 31, 2023 has been used. Lastly, the fair value of trade accounts receivable is close to the book value recorded on December 31, 2023.

The fair value measurement of the financial instruments of the Group is classified according to the three levels set out in IFRS 7. In particular, the fair value hierarchy introduces three levels of input:

- Level 1: quoted prices in active market;
- Level 2: prices calculated using observable market inputs;
- Level 3: prices calculated using inputs that are not based on observable market data.

Further details on Level 2 inputs are provided in the Note "Derivatives".

The tables below provide additional information on the financial instruments, including the hierarchy level for each class of financial asset/liability measured at fair value at December 31, 2023.

The assets and liabilities at December 31, 2023 are presented based on the categories established by IFRS 9.
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 |

Classification and fair value hierarchy of financial instruments measured at fair value as at December 31, 2023:

| | | | | | Levels of hierarchy | |
|---|---|---|---|---|---|---|
| (millions of euros) | | IFRS 9 Categories | Note | Value at 31/12/2023 | Level1 | Level2 |
| **ASSETS** | | | | | | |
| **Non-current Assets** | **a)** | | | **421** | **10** | **410** |
| **Other investments** | | FVTPL | [8] | 41 | 10 | 30 |
| **Other non-current financial assets:** | | | | | | |
| Hedging derivatives | | HD[*] | [9] | 1 | — | 1 |
| Non-hedging derivatives | | FVTPL | [9] | 379 | — | 379 |
| **Current Assets** | **b)** | | | **2.009** | **1.882** | **127** |
| **Securities other than investments, measured at:** | | | | | | |
| Fair value through other comprehensive income | | FVTOCI | [9] | 1.516 | 1.516 | — |
| Fair value through profit or loss | | FVTPL | [9] | 366 | 366 | — |
| **Other current financial assets:** | | | | | | |
| Non-hedging derivatives | | FVTPL | [9] | 127 | — | 127 |
| **Total (a+b)** | | | | **2.429** | **1.892** | **537** |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | **c)** | | | **252** | **—** | **252** |
| Non-hedging derivatives | | FVTPL | [15] | 252 | — | 252 |
| **Current liabilities** | **d)** | | | **114** | **—** | **114** |
| Hedging derivatives | | HD[*] | [15] | — | — | — |
| Non-hedging derivatives | | FVTPL | [15] | 114 | — | 114 |
| **Total (c+d)** | | | | **366** | **—** | **366** |

[*] Derivative measured at fair value through other comprehensive income.

Classification and fair value hierarchy of financial instruments measured at fair value as at December 31, 2022:

| | | | | Levels of hierarchy | |
|---|---|---|---|---|---|
| (millions of euros) | | IFRS 9 Categories | Note | Value at 31/12/2022 | Level1 | Level2 |
| **ASSETS** | | | | | | |
| **Non-current Assets** | **a)** | | | **504** | **—** | **504** |
| **Other non-current financial assets:** | | | | | | |
| Hedging derivatives | | HD[*] | [10] | 2 | — | 2 |
| Non-hedging derivatives | | FVTPL | [10] | 503 | — | 503 |
| **Current Assets** | **b)** | | | **1.518** | **1.446** | **72** |
| **Securities other than investments, measured at:** | | | | | | |
| Fair value through other comprehensive income | | FVTOCI | [10] | 1.040 | 1.040 | — |
| Fair value through profit or loss | | FVTPL | [10] | 406 | 406 | — |
| **Other current financial assets:** | | | | | | |
| Non-hedging derivatives | | FVTPL | [10] | 71 | — | 71 |
| **Total (a+b)** | | | | **2.022** | **1.446** | **576** |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | **c)** | | | **358** | **—** | **358** |
| Non-hedging derivatives | | FVTPL | [16] | 358 | — | 358 |
| **Current liabilities** | **d)** | | | **91** | **—** | **91** |
| Non-hedging derivatives | | FVTPL | [16] | 91 | — | 91 |
| **Total (c+d)** | | | | **449** | **—** | **449** |

[*] Derivative measured at fair value through other comprehensive income.

For financial assets measured at FVTOCI, 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.

Carrying amount and fair value of financial instruments not measured at fair value as at December 31, 2023:

| | | | | | Levels of hierarchy | | | |
|---|---|---|---|---|---|---|---|---|
| (millions of euros) | IFRS 9 Categories | Note | Value at 31/12/2023 | Fair Value at 31/12/2023 | Level1 | Level2 | Level3 | Amounts recognized in the financial statements pursuant to IFRS 16 |
| **ASSETS** | | | | | | | | |
| **Non-current Assets** **a)** | | | **1.307** | **1.510** | **—** | **1.203** | **268** | **39** |
| Other financial receivables | AC | [9] | 1.128 | 1.331 | — | 1.203 | 128 | — |
| Miscellaneous receivables | AC | [10] | 140 | 140 | — | — | 140 | — |
| Financial receivables for lease contracts | n/a | [9] | 39 | 39 | | | — | 39 |
| **Current Assets** **b)** | | | **4.192** | **4.192** | **—** | **—** | **4.186** | **6** |
| Other short-term financial receivables | AC | [9] | 622 | 622 | — | — | 622 | — |
| Cash and cash equivalents | AC | [9] | 2.830 | 2.830 | — | — | 2.830 | — |
| Trade and miscellaneous receivables | AC | [13] | 734 | 734 | — | — | 734 | — |
| Financial receivables for lease contracts | n/a | [9] | 6 | 6 | — | — | — | 6 |
| **Total (a+b)** | | | **5.499** | **5.701** | **—** | **1.203** | **4.454** | **44** |
| **LIABILITIES** | | | | | | | | |
| **Non-current liabilities** **c)** | | | **4.544** | **4.751** | **2.384** | **—** | **414** | **1.953** |
| Financial payables | AC | [15] | 2.591 | 2.798 | 2.384 | — | 414 | — |
| Finance lease liabilities | n/a | [15] | 1.953 | 1.953 | — | — | — | 1.953 |
| **Current liabilities** **d)** | | | **2.997** | **2.997** | **—** | **—** | **2.659** | **338** |
| Financial payables | AC | [15] | 1.632 | 1.632 | — | — | 1.632 | — |
| Trade and miscellaneous payables and other current liabilities | AC | [22] | 1.027 | 1.027 | — | — | 1.027 | — |
| Finance lease liabilities | n/a | [15] | 338 | 338 | — | — | — | 338 |
| **Total (c+d)** | | | **7.542** | **7.749** | **2.384** | **—** | **3.074** | **2.291** |

Carrying amount and fair value of financial instruments not measured at fair value as at December 31, 2022:

| (millions of euros) | IFRS 9 Categories | Note | Value at 31/12/2022 | Fair Value at 31/12/2022 | Levels of hierarchy Level1 | Level3 | Amounts recognized in the financial statements pursuant to IFRS 16 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | **1.464** | **1.464** | **—** | **1.426** | **37** |
| Other financial receivables | AC | [10] | 1.164 | 1.164 | — | 1.164 | — |
| Miscellaneous receivables | AC | [11] | 262 | 262 | — | 262 | — |
| Financial receivables for lease contracts | n/a | [10] | 37 | 37 | | — | 37 |
| **(a)** | | | | | | | |
| **Current assets** | | | **3.800** | **3.800** | **—** | **3.795** | **6** |
| Other short-term financial receivables | AC | [10] | 91 | 91 | — | 91 | — |
| Cash and cash equivalents | AC | [10] | 3.042 | 3.042 | — | 3.042 | — |
| Trade and miscellaneous receivables | AC | [14] | 662 | 662 | — | 662 | — |
| Financial receivables for lease contracts | n/a | [10] | 6 | 6 | — | — | 6 |
| **(b)** | | | | | | | |
| **Total (a+b)** | | | **5.264** | **5.264** | **—** | **5.221** | **43** |
| **LIABILITIES** | | | | | | | |
| **Non-current liabilities** | | | **3.872** | **3.903** | **1.073** | **929** | **1.900** |
| Financial payables | AC | [16] | 1.972 | 2.003 | 1.073 | 929 | — |
| Finance lease liabilities | n/a | [16] | 1.900 | 1.900 | — | — | 1.900 |
| **(c)** | | | | | | | |
| **Current liabilities** | | | **2.639** | **2.639** | **—** | **2.233** | **406** |
| Financial payables | AC | [16] | 1.143 | 1.143 | — | 1.143 | — |
| Trade and miscellaneous payables and other current liabilities | AC | [23] | 1.090 | 1.090 | — | 1.090 | — |
| Finance lease liabilities | n/a | [16] | 406 | 406 | — | — | 406 |
| **(d)** | | | | | | | |
| **Total (c+d)** | | | **6.511** | **6.542** | **1.073** | **3.163** | **2.306** |

Gains and losses by IFRS 9 category - Year 2023

| (million euros) | IFRS 9 Categories | Net gains/(losses) 31/12/2023 | of which interest |
|---|---|---|---|
| Amortized Cost | AC | -65 | 88 |
| Fair Value Through Profit or Loss | FVTPL | -45 | -240 |
| Fair Value Through Other Comprehensive Income | FVTOCI | 16 | — |
| **Total** | | **-93** | **-152** |

Gains and losses by IFRS 9 category - Year 2022

| (million euros) | IFRS 9 Categories | Net gains/(losses) 31/12/2022 | of which interest |
|---|---|---|---|
| Amortized Cost | AC | -89 | 63 |
| Fair Value Through Profit or Loss | FVTPL | -46 | -44 |
| Fair Value Through Other Comprehensive Income | FVTOCI | 3 | 17 |
| **Total** | | **-132** | **36** |

## Note 20 - Provisions

| (million euros) | 31/12/2022 | Increase | Taken to income | Used directly | Exchange differences and other changes | 31/12/2023 |
|---|---|---|---|---|---|---|
| Provision for taxation and tax risks | **86** | 17 | — | -3 | 25 | **125** |
| Provision for restoration costs | **52** | — | — | — | -28 | **24** |
| Provision for legal disputes | **115** | 61 | — | -41 | 5 | **139** |
| Other provisions | **1** | — | — | — | — | **1** |
| **Total** | **253** | **78** | **—** | **-44** | **2** | **289** |
| of which: | | | | | | |
| non-current portion | **252** | 78 | — | -43 | 2 | **288** |
| current portion | **1** | — | — | — | — | **1** |

**Provision for taxation and tax risks** Increased by 39 million euros compared to December 31, 2022, due to the exchange rate effect of the period for 4 million euros. The other movements of the year include restatements of provisions previously made and recognition of new provisions on charge on subscription fees and charge of special credit amount made by the Brazil Business Unit.

The **provision for restoration costs** refers to the provision for the costs expected to be incurred for the restoration of leased properties and sites used in the mobile sector and for the dismantling of assets; it entirely refers to the Brazil Business Unit.

**Provision for legal disputes** includes the provision for litigation with employees and other counterparties and refers to the Brazil Business Unit. The uses consisted of 41 million euros and resulted from settlement agreements reached.

So far, Management has not identified nor considered any material impacts of climate change on assumptions used (e.g. for impairment tests, fair value measurement, etc.) and on the Group's financial reporting (e.g. provisions, fixed assets, etc.).

## Note 21 - Miscellaneous payables and other non-current liabilities

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Deferred revenues from customer contracts (Contract liabilities) | 3 | — |
| Other deferred income | 113 | 120 |
| Other | 24 | 59 |
| **Total** | **140** | **179** |

**Other deferred income** includes the non-current portion of approximately 107 million euros as at December 31, 2023 (113 million euros as at December 31, 2022) of deferred gain on the sale and lease back of the telecommunication towers of the Brazil Business Unit.
In particular, TM S.A. entered into two Sales Agreements with American Tower do Brasil Cessão de Infraestruturas Ltda. ("ATC") in November 2014 and January 2015 for up to 6.481 telecommunications towers then owned by TIM Celular, for an amount of approximately 3 billion reais (0,6 billion euros), and a Master Lease Agreement ("MLA") for part of the space on these towers for a period of 20 years from the date of transfer of each tower, under a sale and leaseback transaction, with a provision for monthly rental amounts depending on the type of tower (greenfield or rooftop). The sales agreements provided for the towers to be transferred in tranches to ATC, due to the need to meet certain conditions precedent.
In total, 5.873 towers were transferred. This transaction resulted in a sales amount of 2.651.247 reais, of which 1.088.390 reais was booked as deferred revenue and will be amortized over the period of the contract.

## Note 22 - Trade and miscellaneous payables and other current liabilities

| (million euros) | 31/12/2023 | Of which Financial Instruments | 31/12/2022 | Of which Financial Instruments |
|---|---|---|---|---|
| | | | | |
| **Trade payables** | **972** | **972** | **904** | **904** |
| Payables to suppliers | 894 | 894 | 864 | 864 |
| Payables to other telecommunication operators | 78 | 78 | 41 | 41 |
| | | | | |
| **Tax payables** | **109** | **—** | **102** | **—** |
| | | | | |
| **Miscellaneous payables** | **599** | **52** | **565** | **48** |
| Payables for employee compensation | 54 | — | 45 | — |
| Payables to social security agencies | 14 | — | 14 | — |
| Payables for TLC operating fee | 478 | — | 323 | — |
| Dividends approved, but not yet paid to shareholders | 52 | 52 | 48 | 48 |
| Other | — | — | 134 | 134 |
| Provisions for risks and charges for the current portion expected to be settled within 1 year | 1 | — | 1 | — |
| | | | | |
| **Other current liabilities** | **74** | **4** | **70** | **4** |
| Deferred revenues from customer contracts (Contract liabilities) | 10 | 3 | 5 | 3 |
| Customer-related items | 32 | — | 32 | — |
| Other deferred income | 11 | — | 11 | — |
| Advances received | 5 | — | 2 | — |
| Other current liabilities | 16 | — | 20 | — |
| | | | | |
| **Total** | **1.754** | **1.027** | **1.641** | **955** |

**Trade payables** amounting to 972 million euros as at December 31, 2023 (904 million euros at December 31, 2022) are mainly referred to the Brazil Business Unit.
According to IAS 1, trade payables are part of the working capital used in the entity's normal operating cycle and are classified as current liabilities even if they are due to be settled more than twelve months after the reporting period. At December 31, 2023, trade payables due beyond 12 months totaled 42 million euros (58 million euros at December 31, 2022) and are mainly represented by payables of the Brazil Business Unit for the renewal of telecommunications licenses.

**Tax payables** amounting to 109 million euros as at December 31, 2023 are entirely referred to the Brazil Business Unit (102 million euros at December 31, 2022).

**Miscellaneous payables** included in 2022 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).
It should 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. Further details are provided in the Note "Disputes and pending legal actions, other information, commitments and guarantees".

**Other current liabilities** includes current contract liabilities, recognized when the client has paid the consideration or when the Company has the right to a consideration amount that is unconditional, before the Company has complied with the performance obligation, whether through the sale of equipment/devices or the provision of services to the client and customer-related items, that include trade payables following contractual relationships, such as the payable for prepaid traffic and the subscription charges charged in advance.

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

## Note 23 - 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 the Group companies are involved as at December 31, 2023, as well as those that came to an end during the financial year.

SIGNIFICANT DISPUTES AND PENDING LEGAL ACTIONS

International tax and regulatory disputes
As of December 31, 2023, the companies belonging to the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totalling around 19,2 billion reais (around 3,6 billion euros, 18,2 billion reais at December 31, 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 3,1 billion reais (about 0,6 billion euros, 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 handset, 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 10,4 billion reais (about 1,9 billion euros, 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 (about 0,3 billion euros, 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 (around 0,7 billion euros, 3,7 billion reais at December 31, 2022).

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.

TIM S.A. Arbitration proceedings no. 28/2021/SEC8

In March 2020, TIM S.A. 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 (30,5 million euros).

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 (0,3 billion euros). 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 (43 million euros). As a result of the differences found, TIM S.A. retained an amount of 634 million reais (119 million euros, 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 (0,3 billion euros – 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 (125 million euros) 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 (1,25 billion euros), 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 (59 million euros). 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.

COMMITMENTS AND GUARANTEES

TIM S.p.A. has provided to the Group the following guarantees:

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Guarantee on bonds and other debts issued by the Group | 1.143 | 1.157 |
| Guarantee on derivatives financial instruments | 29 | 26 |
| **Total** | **1.172** | **1.183** |

There are also surety bonds on the telecommunication services in Brazil for 668 million euros.

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 108 million euros are covered by specific covenants. Financial indices are: (1) Shareholders' equity over total assets; (2) EBITDA on net financial expenses; (3) Total financial debt on EBITDA and (4) Short-term net financial debt to EBITDA. 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. TIM S.A. has been complying with all the established ratios.

## Note 24 - Revenues

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Equipment sales | 141 | 129 |
| Services | 4.271 | 3.834 |
| **Total** | **4.412** | **3.963** |

Revenues only relates to the Brazil Business Unit.

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 206 million euros in 2023 (164 million euros in 2022, 25,2% change), included in the costs of services.

For a breakdown of revenues by operating segment, reference should be made to the Note "Segment Reporting".

## Note 25 - Other operating income

| (million euros) | Year 2023 | Year 2022 |
|---|---|---|
| Late payment fees charged for telephone services | 14 | 13 |
| Other income | 2 | 4 |
| **Total** | **17** | **17** |

**Other operating income** only relates to the Brazil Business Unit.

## Note 26 - Acquisition of goods and services

| (million euros) | Year 2023 | Year 2022 |
|---|---|---|
| | | |
| **Purchase of raw materials and merchandise** | **214** | **171** |
| | | |
| **Costs of services** | **1.180** | **1.109** |
| Revenues due to other TLC operators | 206 | 164 |
| Commissions, sales commissions and other selling expenses | 406 | 370 |
| Advertising and promotion expenses | 111 | 104 |
| Professional and consulting services | 140 | 173 |
| Utilities | 78 | 75 |
| Maintenance | 90 | 76 |
| Outsourcing costs for other services | 81 | 77 |
| Mailing and delivery expenses for telephone bills, directories and other materials to customers | 6 | 9 |
| Other service expenses | 61 | 60 |
| | | |
| **Lease and rental costs** | **294** | **289** |
| Rent of properties | 80 | 78 |
| TLC circuit lease rents and rents for use of satellite systems | 190 | 191 |
| Other lease and rental costs | 23 | 20 |
| | | |
| **Total** | **1.688** | **1.568** |

## Note 27 - Employee benefits expenses

| (million euros) | Year 2023 | Year 2022 |
|---|---|---|
| Wages and salaries | 229 | 210 |
| Social security expenses | 64 | 59 |
| Other employee benefits | 45 | 43 |
| **Total** | **339** | **312** |

The employee benefits expenses are mainly related to the Brazil Business Unit for 338 million euros (311 million euros in 2022).

## Note 28 - Other operating expenses

| (million euros) | Year 2023 | Year 2022 |
|---|---|---|
| Write-downs and expenses in connection with credit management | 118 | 115 |
| Provision charges | 46 | 31 |
| TLC operating fees and charges | 195 | 199 |
| Indirect duties and taxes | 10 | 10 |
| Association dues and fees, donations, scholarships and traineeships | 2 | 2 |
| Sundry expenses | 17 | 15 |
| **Total** | **388** | **372** |
| *of which, included in the supplementary disclosure on financial instruments* | *118* | *115* |

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

## Note 29 - Internally generated assets

| (million euros) | Year 2023 | Year 2022 |
|---|---|---|
| Intangible assets with a finite useful life | 34 | 29 |
| Tangible assets owned | 69 | 64 |
| **Total** | **102** | **93** |

Internally generated assets mainly include labor costs of dedicated technical staff for software development and work in connection with the executive design, construction and testing of network installations.

## Note 30 - Depreciation and amortization

| (million euros) | Year 2023 | Year 2022 |
|---|---|---|
| | | |
| **Amortization of intangible assets with a finite useful life** | **350** | **338** |
| Industrial patents and intellectual property rights | 179 | 186 |
| Concessions, licenses, trademarks and similar rights | 163 | 147 |
| Other intangible assets | 8 | 4 |
| | | |
| **Depreciation of tangible assets owned** | **524** | **514** |
| Buildings (civil and industrial) | 1 | 1 |
| Plant and equipment | 470 | 465 |
| Other | 53 | 48 |
| | | |
| **Depreciation of right of use assets** | **444** | **409** |
| Property | 121 | 94 |
| Plant and equipment | 323 | 314 |
| Other | — | 1 |
| | | |
| **Total** | **1.318** | **1.260** |

For further details refer to the Notes "Intangible assets with finite useful lives", "Tangible assets" and "Rights of use assets".

For a breakdown of depreciation and amortization by operating segment, reference should be made to the Note "Segment Reporting".

### Note 31 - Gains/(losses) on disposals of non-current assets

| (million euros) | Year 2023 | Year 2022 |
|---|---|---|
| | | |
| **Gains on disposals of non-current assets** | **10** | **13** |
| Gains on the retirement/disposal of intangible and tangible assets | 10 | 13 |
| | | |
| **Total** | **10** | **13** |

In 2023, the item posted a net gain of 10 million euros, connected with the ordinary asset renewal process.

### Note 32 - Other income (expenses) from investments

| (million euros) | Year 2023 | Year 2022 |
|---|---|---|
| Sundry income (expense) | — | -3 |
| Net gains on investments | 56 | — |
| **Total** | **56** | **-3** |

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 (1,25 billion euros), 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 (59 million euros). 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.

## Note 33 - Finance income and expenses

FINANCE INCOME

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | | |
| **Interest income and other finance income** | **695** | **536** |
| Income from financial receivables, recorded in non-current assets | 85 | 86 |
| Interest income on bank and postal accounts | 114 | 107 |
| Interest income on trade accounts receivable | 5 | 5 |
| Income from securities other than investments measured at FVTOCI | 13 | 17 |
| Income other than the above: | | |
| Interest income on financials leasing receivables | 5 | 5 |
| Exchange gains | 76 | 59 |
| Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component) | 1 | 1 |
| Income from non-hedging derivatives | 238 | 198 |
| Miscellaneous finance income | 156 | 58 |
| | | |
| **Positive fair value adjustments to non-hedging derivatives** | **108** | **383** |
| **Positive adjustments and reversal for impairment on financial assets** | **7** | **1** |
| | | |
| **Total** | **810** | **920** |

FINANCE EXPENSES

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | | |
| **Interest expenses and other finance expenses** | **991** | **826** |
| Interest expenses and other costs relating to bonds | 150 | 81 |
| Interest expenses to banks | 58 | 18 |
| Interest expenses to others | 12 | 12 |
| Interest expenses on lease liabilities | 275 | 247 |
| Expenses other than the above: | | |
| Financial commissions and fees | 14 | 14 |
| Exchange losses | 69 | 59 |
| Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component) | 1 | 1 |
| Charges from non-hedging derivatives | 297 | 243 |
| Miscellaneous finance expenses | 115 | 150 |
| | | |
| **Negative fair value adjustments to non-hedging derivatives** | **88** | **401** |
| **Negative adjustments for impairment on financial assets** | **1** | **7** |
| | | |
| **Total** | **1.079** | **1.233** |

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

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Exchange gains | 76 | 59 |
| Exchange losses | -69 | -59 |
| **Net exchange gains and losses** | **7** | **—** |
| | | |
| Positive Reversal of the Reserve for cash flow hedge derivatives | 1 | 1 |
| Negative Reversal of the Reserve for cash flow hedge derivatives | -1 | -1 |
| **Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)** | **—** | **—** |
| Income from non-hedging derivatives | 238 | 198 |
| Charges from non-hedging derivatives | -297 | -243 |
| Net result from non-hedging derivatives | -59 | -44 |
| **Net result from derivatives** | **-59** | **-44** |
| | | |
| Positive fair value to non-hedging derivatives | 108 | 383 |
| Negative fair value adjustments to non-hedging derivatives | -88 | -401 |
| **Net fair value adjustments to non-hedging derivatives** | **20** | **-18** |
| | | |
| Positive adjustments and reversal for impairment on financial assets | 7 | 1 |
| Negative adjustments for impairment on financial assets | -1 | -7 |
| **Net impairment on financial assets** | **6** | **-6** |

## Note 34 - Segment reporting

SEGMENT REPORTING

Segment reporting is based on the following operating segments:
- Telecommunications (Brazil)
- Other Operations

Separate Consolidated Income Statements by Operating Segment

| (million euros) | Brazil | | Other Operations | | Consolidated Total | |
|---|---|---|---|---|---|---|
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Third-party revenues | 4.412 | 3.963 | — | — | 4.412 | 3.963 |
| **Revenues by operating segment** | **4.412** | **3.963** | **—** | **—** | **4.412** | **3.963** |
| Other income | 17 | 17 | — | — | 17 | 17 |
| **Total operating revenues and other income** | **4.429** | **3.980** | **—** | **—** | **4.429** | **3.980** |
| Acquisition of goods and services | -1.687 | -1.562 | -1 | -6 | -1.688 | -1.568 |
| Employee benefits expenses | -338 | -311 | -1 | -1 | -339 | -312 |
| Other operating expenses | -384 | -367 | -4 | -4 | -388 | -372 |
| *of which: write-downs and expenses in connection with credit management and provision charges* | *-147* | *-139* | — | — | *-147* | *-139* |
| Change in inventories | 18 | 6 | — | — | 18 | 6 |
| Internally generated assets | 102 | 93 | — | — | 102 | 93 |
| **EBITDA** | **2.141** | **1.839** | **-6** | **-11** | **2.134** | **1.828** |
| Depreciation and amortization | -1.318 | -1.260 | — | — | -1.318 | -1.260 |
| Gains/(losses) on disposals of non-current assets | 10 | 13 | — | — | 10 | 13 |
| **EBIT** | **833** | **593** | **-7** | **-11** | **827** | **581** |
| | | | | | | |
| Share of profits (losses) of equity investments valued using equity method | | | | | -17 | -11 |
| Other income (expenses) from investments | | | | | 56 | -3 |
| Finance income | | | | | 810 | 920 |
| Finance expenses | | | | | -1.079 | -1.233 |
| **Profit (loss) before tax** | | | | | **597** | **254** |
| Income tax income (expense) | | | | | -86 | -32 |
| **Profit (loss) for the year** | | | | | **511** | **221** |
| Attributable to: | | | | | | |
| Owners of the Parent | | | | | 335 | 120 |
| Non-controlling interests | | | | | 176 | 102 |

Revenues by operating segment
The revenues only relate to the Brazil Business Unit.

Purchase of intangible and tangible assets by operating segment
Purchase of intangible and tangible assets only relates to the Brazil Business Unit.

Assets and liabilities by Operating Segment

| (millions of euros) | Brazil | | Other Operations | | Consolidated Total | |
|---|---|---|---|---|---|---|
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Non-current operating assets | 7.916 | 7.970 | — | — | 7.916 | 7.971 |
| Current operating assets | 962 | 789 | 36 | 65 | 998 | 854 |
| **Total operating assets** | **8.878** | **8.759** | **36** | **65** | **8.914** | **8.824** |
| | | | | | | |
| *Investments accounted for using the equity method* | | | | | *271* | *277* |
| *Unallocated assets* | | | | | 7.476 | 6.767 |
| **Total Assets** | | | | | **16.662** | **15.868** |
| | | | | | | |
| **Total operating liabilities** | **2.178** | **2.068** | **4** | **5** | **2.182** | **2.072** |
| *Unallocated liabilities* | | | | | *6.898* | *5.884* |
| Equity | | | | | 7.581 | 7.911 |
| **Total Equity and Liabilities** | | | | | **16.662** | **15.868** |

## Note 35 - 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 and Consolidated Statement of Financial Position.

Related party transactions, when not dictated by specific laws, were conducted at arm's length.

The effects on the individual line items of the Group's Separate Consolidated Income Statements for 2023 and 2022 are as follows:

Separate Consolidated Income Statement line items at 31/12/2023

| (million euros) | | Related Parties | | | | | |
|---|---|---|---|---|---|---|---|
| | **Total** | Associates, companies controlled by associates | Other related parties [*] | Pension funds | Key managers | Total related parties | % of financial statement item |
| Revenues | **4.412** | — | 7 | — | — | 7 | 0,2 |
| Other income | **17** | — | — | — | — | — | 1,0 |
| Acquisition of goods and services | **1.688** | — | 210 | — | — | 210 | 12,4 |
| Employee benefits expenses | **339** | — | — | 3 | 6 | 10 | 2,8 |
| Other operating expenses | **388** | — | — | — | — | — | — |
| Other income (expenses) from investments | **56** | — | — | — | — | — | 0,1 |
| Finance income | **810** | — | 346 | — | — | 346 | 42,7 |
| Finance expenses | **1.079** | — | 100 | — | — | 100 | 9,2 |

[*] TIM Group companies; 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 TIM Group Directors, Statutory Auditors ("Collegio sindacale") and Key Managers.

Separate Consolidated Income Statement line items 2022

| (million euros) | | Related Parties | | | | | |
|---|---|---|---|---|---|---|---|
| | **Total** | Associates, companies controlled by associates | Other related parties [*] | Pension funds | Key managers | Total related parties | % of financial statement item |
| Revenues | **3.963** | — | 8 | | — | 8 | 0,2 |
| Other income | **17** | — | — | | — | — | 1,4 |
| Acquisition of goods and services | **1.568** | — | 164 | | — | 164 | 10,5 |
| Employee benefits expenses | **312** | — | — | 3 | 13 | 16 | 5,1 |
| Other operating expenses | **372** | — | — | — | — | — | — |
| Finance income | **920** | — | 298 | | — | 298 | 32,4 |
| Finance expenses | **1.233** | — | 299 | — | — | 299 | 24,3 |

[*] TIM Group companies; 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 TIM Group Directors, Statutory Auditors ("Collegio sindacale") and Key Managers.

The effects on the individual line items of the consolidated statements of financial position at December 31, 2023 and December 31, 2022 are as follows:

Consolidated Statement of Financial Position line items at 31/12/2023

| (million euros) | Total | Associates, companies controlled by associates | Other related parties [*] | Pension funds | Total related parties | % of financial statement item |
|---|---|---|---|---|---|---|
| **Net financial debt** | **-133** | **—** | **-2.201** | **—** | **-2.201** | **1.654,3** |
| **Non-current financial assets** | **-1.547** | **—** | **-1.191** | **—** | **-1.191** | **77,0** |
| **Current financial assets** | **-5.466** | **—** | **-1.360** | **—** | **-1.360** | **24,9** |
| Securities other than investments (current assets) | -1.882 | — | — | — | — | **—** |
| Financial receivables and other current financial assets | -755 | — | -633 | — | -633 | **83,8** |
| Cash and cash equivalents | -2.830 | — | -727 | — | -727 | **25,7** |
| | | | | | | |
| **Non-current financial liabilities** | **4.796** | **—** | **222** | **—** | **222** | **4,6** |
| **Current financial liabilities** | **2.084** | **—** | **128** | **—** | **128** | **6,1** |
| **Other statement of financial position line items** | | | | | | |
| **Trade and miscellaneous receivables and other current assets** | **985** | — | 4 | — | 4 | **0,4** |
| **Miscellaneous payables and other non-current liabilities** | **140** | — | — | — | — | **—** |
| **Trade and miscellaneous payables and other current liabilities** | **1.754** | — | 53 | — | 54 | **3,1** |

[*] TIM Group companies; 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 TIM Group Directors, Statutory Auditors ("Collegio sindacale") and Key Managers.

Consolidated Statement of Financial Position line items at 31/12/2022

| (million euros) | Total | Associates and companies controlled by associates | Other related parties [*] | Pension funds | Total related parties | % of financial statement item |
|---|---|---|---|---|---|---|
| **Net financial debt** | **-492** | **—** | **-1.841** | **—** | **-1.841** | **374,1** |
| **Non-current financial assets** | **-1.706** | **—** | **-1.220** | **—** | **-1.220** | **71,5** |
| **Current financial assets** | **-4.656** | **—** | **-973** | **—** | **-973** | **20,9** |
| Securities other than investments (current assets) | -1.446 | — | — | — | — | **—** |
| Financial receivables and other current financial assets | -168 | — | -105 | — | -105 | **62,6** |
| Cash and cash equivalents | -3.042 | — | -868 | — | -868 | **28,5** |
| | | | | | | |
| **Non-current financial liabilities** | **4.230** | **—** | **330** | **—** | **330** | **7,8** |
| **Current financial liabilities** | **1.640** | **—** | **22** | **—** | **22** | **1,4** |
| **Other statement of financial position line items** | | | | | | |
| **Trade and miscellaneous receivables and other current assets** | **865** | — | 4 | — | 4 | **0,5** |
| **Miscellaneous payables and other non-current liabilities** | **179** | — | — | — | — | **—** |
| **Trade and miscellaneous payables and other current liabilities** | **1.641** | — | 42 | 1 | 44 | **2,7** |

[*] TIM Group companies; 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 TIM Group Directors, Statutory Auditors ("Collegio sindacale") and Key Managers.

## TRANSACTIONS WITH PENSION FUNDS

The most significant amounts are summarized as follows:

Separate Consolidated Income Statement line items

| (million euros) | 31/12/2023 | 31/12/2022 | Type of contract |
|---|---|---|---|
| Other pension funds | 3 | 3 | |
| **Total employee benefits expenses** | **3** | **3** | Contributions to pension funds |

Consolidated Statement of Financial Position line items

| (million euros) | 31/12/2023 | 31/12/2022 | Type of contract |
|---|---|---|---|
| Other pension funds | — | 1 | |
| **Total trade and miscellaneous payables and other current liabilities** | **—** | **1** | Payables for contributions to pension funds |

## REMUNERATION TO KEY MANAGERS

The remuneration to key managers in 2023 amounted to 6 million euros (13 million euros in 2022). The compensation of key Management personnel for services rendered is shown below:

| (million euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Short-term benefits | 4 | 7 |
| Long-term benefits | — | — |
| Share-based payments remuneration | 2 | 6 |
| **Total remuneration to key managers** | **6** | **13** |

The Group considers as key managers the statutory directors and the Board of Directors.

## Note 36 - Equity compensation plans

The 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 Brazil BU.
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.
The 2018-2020 and 2021-2023 Plans provide for the granting of shares (performance shares and/or restricted shares). They propose to grant participants shares issued by TIM S.A., subject to the participant's permanence in the Company (achievement of specific goals). The number of shares may vary, for more or for less, as a result of the performance and possibly of the dividend award, considering the criteria provided for in each Grant.

A summary is provided below of the plans in place at December 31, 2023.

DESCRIPTION OF OTHER COMPENSATION PLANS

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, 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 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.

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:

- 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 July 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).
- In 2023, in compliance with the results approved on May 8, 2023, in July 169.462 shares will be 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).

Relating to the Special Grant Grant

- In 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.
- In 2023, in compliance with the results approved on May 8, 2023, in July 1.038.041 shares will be 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).

At 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.

- 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.

As 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 RIGHTS

Parameters used for the assignments of TIM S.A.

| Plans/Parameters | Nominal value (reais) | Period |
|---|---|---|
| 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 |

## Note 37 - Other information

EXCHANGE RATE USED TO TRANSLATE FOREIGN OPERATIONS

| | Period-end exchange rates | | Average exchange rates for the period | |
|---|---|---|---|---|
| | (statements of financial position) | | (income statements and statements of cash flows) | |
| *Local currency against 1 EUR* | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| BRL (Brazilian real) | 5,34964 | 5,56520 | 5,40158 | 5,43993 |
| USD (U.S. dollar) | 1,10500 | 1,06660 | 1,08157 | 1,05335 |
| JPY (Japan Yen) | 156,33000 | 140,66000 | 151,95065 | 138,02515 |
| GBP (Pound sterling) | 0,86905 | 0,88693 | 0,86984 | 0,85268 |
| CHF (Swiss franc) | 0,92600 | 0,98470 | 0,97174 | 1,00475 |

Source: Data processed by the European Central Bank, Reuters and major Central Banks.

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) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Capitalized development costs | 34 | 29 |
| **Total research and development costs** | **34** | **29** |

AUDITOR'S FEES

The following schedule reports the fees due to Ernst & Young for the audit of financial statements:

| (thousands of euros) | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Audit services | 1.908 | 1.775 |
| Verification services with issue of certification | 28 | — |
| Other assurance services | 142 | 80 |
| **Total fees due to EY network for the audit and other services** | 2.079 | **1.855** |
| Out of pocket | 28 | 81 |
| **Total** | 2.107 | **1.936** |

## Note 38 - Events subsequent to December 31, 2023

Payment of Interest on Equity

In January 2024, TIM S.A paid Interest on Capital (IOC) related to the fiscal year ending on December 31, 2023 and approved on December 06, 2023 according to the following schedule:

| Payment Date | Reais per share |
|---|---|
| 23/01/2024 | 0,270594175 |

TIM Group: NetCo disposal

In November 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), 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 relating to Netco 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 S.r.l. - in FiberCop S.p.A., a company that already manages the activities relating to the secondary fiber and copper network, 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 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 by the Company, as per the press release issued on January 17, 2024.
Thanks to the transaction, TIM Group expects to reduce its debt. The possible amount and conditions of the operation are being examined by the companies concerned.

## Note 39 - List of companies of the Telecom Italia Finance Group

| Company name | Head office | Currency | Share Capital | % Ownership | % of voting [*] | Held by |
|---|---|---|---|---|---|---|
| PARENT COMPANY | | | | | | |
| Telecom Italia Finance | Luxembourg | EUR | 1.818.691.979 | | | |
| SUBSIDIARIES CONSOLIDATED LINE-BY-LINE | | | | | | |
| Brazil Business Unit | | | | | | |
| • TIM Brasil Serviços & Partecipações S.A. | Rio de Janeiro | BRL | 8.227.356.500 | 99,9999<br>0,0001 | | Telecom Italia Finance<br>TIM S.p.A. |
| • TIM S.A. | Rio de Janeiro | BRL | 13.477.890.508 | 66,5882<br>0,0005 | 66,5885 | TIM Brasil Serviços & Partecipações S.A.<br>TIM S.A. |
| ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD | | | | | | |
| I-System S.A. | Rio de Janeiro | BRL | 1.794.287.995 | 49,0000 | | TIM S.A. |

[*] In addition to the percentage ownership of share capital, the percentage of voting rights in the ordinary shareholders' meeting is presented, if different from the percentage holding of share capital.

## Certification of the Consolidated Financial Statements pursuant to Luxembourg Transparency Law

Pursuant to paragraph 3 of Luxembourg's Transparency Law, the undersigned Fabio Adducchio, Managing Director of the Company, to the best of his knowledge, hereby declares that the above financial statements prepared in accordance with IFRS legal and regulatory requirements as adopted by EU give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole and that the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Fabio Adducchio
Managing Director

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# Independent auditor's report

To the sole Shareolder of
Telecom Italia Finance S.A.
12 rue Eugène Ruppert
L-2453 Luxembourg

## Report on the audit of the consolidated financial statement

### Opinion

We have audited the consolidated financial statements of Telecom Italia Finance S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 31 December 2023, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

### Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. 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 the 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.

### Provision for tax contingencies

#### Risk identified

The Group has tax matters under discussion at various procedural levels, for which, based on its opinion and legal counsel, Euro 3,6 billion were disclosed by the Group as possible losses as disclosed in note 23.

The determination of the amount of the provision and the amounts disclosed depends on critical judgments made by management, based on the analysis of the proceedings and the corresponding prognosis for their final resolution by its legal advisors. The audit of management's assessment of the likelihood of loss in tax proceedings is complex, highly subjective and based on interpretations of tax legislation and court decisions, since there is significant uncertainty in the estimates as to the outcome of court decisions, how formerly adjudged cases have evolved and the position of the tax authorities. In addition, in view of the magnitude of the amounts involved, any changes in estimates or assumptions that impact the determination of the loss prognosis may have significant impacts on the Group's financial statements. Accordingly, this was considered as a key audit matter.

#### Our answer

Our audit procedures included, with the assistance of our tax experts, the following, among others:

(i) We requested and obtained confirmation from all internal and external legal advisors who are involved in the tax proceedings of the Group, confirming the amounts and prognosis of proceedings losses, as determined by the Group's management.

(ii) To test the Group's assessment of the likelihood of loss in tax proceedings, our audit procedures included, among others, the involvement of our internal Tax Controversy experts to support us in discussions regarding the forecasts made by Group's external lawyers for the most significant tax contingencies.

(iii) Additionally, for the most significant tax proceedings, we obtained additional legal opinions from other legal advisors to assess the reasonableness of the prognosis determined by the Group's legal advisors in charge of the respective proceedings, and we evaluated the arguments, case law and/or strategy of defense adopted by the Group's legal advisors.

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## Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the corporate governance statement but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

## Responsibilities of the Board of Directors and of those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union relating to the preparation and presentation of the consolidated financial statement, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Director is also responsible for the preparation and fair presentation of the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format, as amended ("ESEF Regulation").

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit 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 a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board 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 report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate 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.
- Assess whether the consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 communicate with those charged with governance 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

**Report on other legal and regulatory requirements**

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 25 May 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the consolidated management report, is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.
We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the financial statements. For the Group, it relates to:

- Financial statements prepared in valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of the Group as at 31 December 2023, identified as tel-2023-12-31-en.xhtml, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Gabriel De Maigret

Luxembourg, 12 April 2024