

 **Telecom Italia Finance Group**

Half-Year Condensed Consolidated Financial
Statements at June 30, 2023

Unaudited Half-Year Condensed Consolidated Financial Statements at June 30, 2023, which have been authorized by the Board of Directors held on August 01, 2023

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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 June 30, 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 -3.020 million euros.

- TELECOM ITALIA FINANCE

Key operating Financial Data

Consolidated Operating and Financial Data

(million euros)	1st Half 2023	1st Half 2022
Revenues	2.098	1.819
EBITDA	989	806
EBIT	336	253
Profit (loss) before tax from continuing operations	241	100
Profit (loss) for the year	209	83
Profit (loss) for the year attributable to Owners of the Parent	145	42
Capital expenditures	404	428

Consolidated Financial Position Data

(million euros)	30/06/2023	31/12/2022
Total assets	16.822	15.868
Total equity	8.342	7.911
Attributable to Owners of the Parent	6.704	6.366
Attributable to non-controlling interests	1.638	1.545
Total liabilities	8.479	7.957
Total equity and liabilities	16.822	15.868
Share capital	1.819	1.819
Net financial debt carrying amount	-197	-492

Headcount

	30/06/2023	31/12/2022
Number in the Group at year end	9.281	9.405
Average number in the Group	8.957	8.803

HighlightsMerger 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.

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.

FINANCIAL HIGHLIGHTS

In terms of economic and financial performance in the 1st Half 2023:

- **Consolidated revenues** amounted to 2,1 billion euros, up by 15,3% on the 1st Half 2022.
- **EBITDA** amounted to 1,0 billion euros, up by 22,7% on the 1st Half 2022.
- **Operating profit (EBIT)** was 0,3 billion euros, up by 32,8% compared to the 1st Half 2022.
- The **Profit for the year attributable to Owners of the Parent** amounted to 145 million euros (42 million euros for the 1st Half 2022).
- **Capital expenditures** in 2023 amounted to 404 million euros (428 million euros in the 1st Half 2022).
- **Net financial debt** amounts to -197 million euros at June 30, 2023, up of 295 million euros compared to the end of 2022 (-492 million euros).

Consolidated operating performance

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

	Other operations (millions of euros)		Brazil Business Unit				Changes	
	1st Half 2023	1st Half 2022	(millions of euros)		(millions of reais)		Amount (a-b)	% (a-b)/b
			1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022		
					(a)	(b)		
Revenues	—	—	2.098	1.819	11.503	10.095	1.408	13,9
EBITDA	-3	-7	993	813	5.442	4.512	930	20,6
EBITDA Margin			47,3	44,7	47,3	44,7		2,6 pp
EBIT	-3	-7	339	260	1.857	1.449	408	28,2
EBIT Margin			16,1	14,3	16,1	14,4		1,7 pp
Headcount at period end (number)	10	10[*]			9.271	9.395[*]	-124	-1,3

[*] Figures as of December 31, 2022

The average exchange rates used for the translation into euro (expressed in terms of units of real per 1 Euro) were 5,48212 in the 1st Half 2023 and 5,56056 in the 1st Half 2022.

	1st Half 2023	1st Half 2022
Lines at period end (thousands)	61.225	62.485 [*]
ARPU (reais)	28,4	26,5

[*] Figures as of December 31, 2022

REVENUES

Revenues in the 1st Half 2023 were entirely related to the Brazil Business Unit and amounted to 11.503 million reais (2.098 million euros), up by 13,9% on the 1st Half 2022.

The acceleration has been determined by **Revenues from services** that totaled 11.162 million reais (2.036 million euros), an increase of 1.377 million reais (276 million euros) compared to 9.785 million reais (1.760 million euros) in the 1st Half 2022 (+14,1%) with mobile service revenues growing at +14,6% compared to the first half of 2022. This performance is mainly related to the continuous improvement of the pre-paid and post-paid segments, supported by the acquisition of Oi's mobile telephone business. Revenues from fixed services have grown by 6,2% compared to the first half of 2022, determined by the growth rate of TIM Live.

Revenues from product sales totaled to 342 million reais, or 62 million euros (310 million reais, or 56 million euros in the 1st Half 2022).

Total mobile lines in place at June 30, 2023 amounted to 61,2 million, a decrease of 1,3 million compared to December 31, 2022 (62,5 million). This decrease is attributable to the post-paid segment (-0,7 million) and the pre-paid segment (-0,6 million). Post-paid customers represented 43,4% of the customer base as of June 30, 2023 (43,6% at December 2022).

The TIM Live BroadBand business recorded net positive growth on June 30, 2023 in the customer base of 45 thousand users 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 the 1st Half 2023 was 28,4 reais (5,2 euros), up 7,2% compared to the figure posted in the 1st Half 2022 and therefore back to growing after having suffered the dilution effect of the integration with Oi in recent quarters.

EBITDA

EBITDA in the 1st Half 2023 totaled 989 million euros, of which 993 million euros attributable to the Brazil BU.

Considering Brazil BU, EBITDA for the 1st Half 2023 amounted to 5.442 million reais (993 million euros), up by 930 million reais (180 million euros) year-on-year (+20,6%).

EBITDA in 2023 is affected by non-recurring expenses of 30 million reais mainly related to the development of non-recurring projects.

EBITDA for the Brazil BU net of the non-recurring component (Organic EBITDA), grew by 19,4% and is calculated as follows:

	(millions of euros)		(millions of reais)		Change	
	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	Amount	%
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d
EBITDA	993	813	5.442	4.512	929	20,6
+/- Non recurring expenses/(income)	5	13	30	71	-41	
= Organic EBITDA	998	826	5.472	4.583	889	19,4

The increase in EBITDA is due to the positive performance of service revenues strengthened by the acquisition of the Oi Móvel assets.

The related margin on revenues stood at 47,6%, up in organic terms by 2,2% compared to the 1st Half 2022.

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

	(millions of euros)		(millions of reais)		Change
	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	
	(a)	(b)	(c)	(d)	(c-d)
Purchase of goods and services	842	756	4.616	4.199	417
Employee benefits expenses	162	143	888	797	90
Other operating expenses	183	170	1.006	944	62
Change in inventories	-25	-14	-138	-78	-61

EBIT

EBIT totaled 336 million euros (253 million euros in the 1st Half 2022), an increase of 83 million euros.

Considering Brazil BU, EBIT for the 1st Half 2023 amounted to 1.857 million reais (339 million euros).

Organic EBIT, net of the non-recurring component, amounted to 1.887 million reais (344 million euros), with a margin on revenues of 16,4% (15,1% in 2022), and was calculated as follows:

	(millions of euros)		(millions of reais)		Change	
	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	Amount	%
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d
EBIT	339	260	1.857	1.449	408	28,2
+/- Non recurring expenses/(income)	5	13	30	71	-41	
= Organic EBIT	344	273	1.887	1.520	367	24,1

PROFIT (LOSS) FOR THE YEAR

(million euros)	1st Half 2023	1st Half 2022
Profit (loss) for the year	209	83
Attributable to		
Owners of the Parent	145	42
Non-controlling interests	63	41

CAPITAL EXPENDITURE

All capital expenditure is referred to the Brazil Business Unit. The BU posted capital expenditures in the 1st Half 2023 of 404 million euros, decreasing by 24 million euros on the 1st Half 2022 (428 million euros). Excluding the impact of changes in exchange rates (+6 million euros), the capital expenditures would decrease by 30 millions reais. Technological investments represent 91% of total capex and were mainly driven by the significant coverage of capitals with new 5G SA technology and by the full completion of Oi infrastructure integration. Besides Mobile core business expansion, the Business Unit continued to develop the Ultrabroadband residential business with FTTH technology (UltraFibra).

Consolidated financial position and cash flows performance**Non-current assets**

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

- **Goodwill** increased by 61 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** increased by 78 million euros representing the balance of the following items:
 - Capex (+89 million euros)
 - Amortization charge for the year (-172 million euros)
 - Disposals, exchange differences, reclassifications and other changes (for a net balance of +161 million euros), of which +143 related to exchange rate differences.
- **Tangible assets** increased by 200 million euros representing the balance of the following items:
 - Capex (+315 million euros)
 - Depreciation charge for the year (-252 million euros)
 - Disposals, exchange differences, reclassifications and other changes for a net balance of +136 million euros of which +138 related to exchange rate differences.
- **Rights of use third-party assets:** increased by 139 million euros representing the balance of the following items:
 - Investments and increases in finance leasing contracts (+320 million euros)
 - Amortization charge for the period (-236 million euros)
 - Disposals, exchange differences and other changes (for a net balance of +54 million euros) of which +125 related to exchange rate difference.

Consolidated equity

Consolidated equity amounted to 8.342 million euros at June 30, 2023 (7.911 million euros at December 31, 2022), of which 6.704 million euros attributable to Owners of the Parent (6.366 million euros at December 31, 2022) and 1.638 million euros attributable to non-controlling interests (1.545 million euros at December 31, 2022).

Cash flows

(million euros)	1st Half 2023	1st Half 2022
Cash flows from (used in) operating activities	714	878
Cash flows from (used in) investing activities	-548	-1.317
Cash flows from (used in) financing activities	-33	-408
Aggregate cash flows	134	-847
Net foreign exchange differences on net cash and cash equivalents	34	-25
Net cash and cash equivalents at beginning of the year	3.030	3.239
Net cash and cash equivalents at end of the period	3.164	2.392

Net financial debt

Net financial debt amounts to -197 million euros at June 30, 2023, up of 295 million euros compared to the end of 2022 (-492 million euros).

(million euros)	Other operations		Brazil Business Unit	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Non-current financial liabilities	1.406	1.503	2.771	2.726
Current financial liabilities	1.292	936	895	704
Total gross financial debt	2.698	2.440	3.666	3.430
Non-current financial assets	-1.455	-1.550	-135	-156
Current financial assets	-4.263	-3.744	-708	-912
Net financial debt carrying amount	-3.020	-2.854	2.823	2.361

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

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 (currently 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 (as identified by Anatel and approved by the MCTI Ministério da Ciência, Tecnologia e Inovações) 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 priorities for the coverage of public policies, including 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, the 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 ("Fundo de Universalização dos Serviços de Telecomunicação"), 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 the Board of Directors with their own resources. The benefit will be valid for five years from January 1, 2022 and will be progressive: 10% in the first year; 25% in the second year; 40% in the third year; and 50% from the fourth year onwards. In addition, the new legislation removes the obligation to share towers within a distance of less than 500 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 Resolution 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.

Currently, important Regulations are being revised by Anatel, such as: (i) General Consumer Regulation (RGC), which establishes general rules for customer service, billing, and service offers, which are applicable to fixed, mobile, broadband and cable TV customers; (ii) General Plan for Competition (PGMC), whose goal is to encourage competition by creating interconnection obligations and the sharing of infrastructure already installed by other operators; and (iii) Spectrum Usage Regulation (RUE), with a focus on dynamic spectrum management, shared spectrum access and secondary markets for spectrum trading.

Revision of the service quality regulation

In December 2019, Anatel approved the new Telecommunication Services Quality Regulation (RQUAL), based on a reactive regulation. In this new model, quality is measured on the basis of three main indicators – a Service Quality Index, a Perceived Quality Index and a User Complaints Index – and operators are classified into five categories (A to E). Based on this reactive regulation, Anatel will be able to take measures according to specific cases, such as consumer compensation, the adoption of an action plan or the adoption of precautionary measures to ensure quality standard improvements.

After a joint work of Anatel, operators and the Quality Assurance Support Authority (ESAQ) to define the objectives, criteria and reference values of indicators, late November 2021, the Anatel Board of Directors formalized the reference documents supporting this regulation: the Operating Manual and the Reference Values; and established the operative coming into force on March 1, 2022. The results related to the first evaluation cycle were released in June 2023, considering the indicators monitored in the second half of 2022.

Data protection

On August 14, 2018, the General Data Protection Law (Law 13,709/2018, "LGPD") was promulgated.

In December 2018, Provisional Measure 869/2018 created the National Data Protection Authority (ANPD), 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 (National Data Protection Authority) came into force in August 2020, establishing the ANPD (Brazilian National Data Protection Authority), which is 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 n° 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 December 2021, the MCTI began the review and approval is expected by the end of 2022.

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 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 November 2022, the MCTI 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.

Research and development

Brazil

The Architecture & Architecture 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 in order to use the new business models and guarantee that the network infrastructure evolution is in line with the corporate strategy.

In June 2023, the Architecture & Technology Evolution department was made up of 52 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, city of 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.

In addition, to strengthen the validation capacity regarding new software, features, solutions, technologies, services and devices, and to expand its current structure in order to carry and develop more businesses and opportunities, in 2023-2024.

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 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 SA three 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.

The implementation of the 700 MHz LTE layer has continued to significantly improve coverage expansion and indoor penetration, promoting the presence of LTE on a national level, and consolidating TIM S.A.'s leadership in LTE. At the end of June 2023, 4.543 cities had 700 MHz LTE coverage, namely over 98,4% of the urban population; spectrum cleaning was completed in June 2019 in all cities of Brazil, enabling a bandwidth of 700 MHz.

TIM S.A. has covered all cities in Brazil since December 2022, assuring 100% of nationwide presence (in any technology) and anticipating the Industrial Plan in one year. The target for the end of 2023 is having 4G nationwide presence.

Also in 2022, TIM S.A. started deploying sites with the n78 band (3.500 MHz), according to the regulatory rollout specified in the auction, which means that all capitals in Brazil have TIM's 5G SA (Standalone) coverage. Beyond that, TIM has almost the sum of the competitors' antennas: up to June 2023, TIM has more than 5,8k 5G antennas. This frequency band has a 100 MHz bandwidth, that delivers higher throughput, and is currently used in the 5G networks.

In May 2023, TIM has completed the first 5G trial in the 6 GHz band of the Americas in partnership with Huawei, demonstrating that this frequency has similar capacity and coverage as the 3,5 GHz band. This way, the 6 GHz band will be the best suitable spectrum when the 3,5 GHz be overload.

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 campaign, effectively sharing spectrum, access and backhaul. At present and after Oi's acquisition, LTE RAN Sharing is a TIM S.A. and Telefónica partnership, based on the MOCN architecture, expanding the benefits and efficiency of this technical model. 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 the 3G and 4G networks in cities with fewer than 30 thousand inhabitants in which both operators provide their services. The underlying idea is to have, in the cities included in the agreement, a single telecommunications infrastructure that is entirely shared by the operators, thereby allowing them to switch off redundant sites and save on energy, rent and maintenance costs. This also allows for greater efficiency in future investments thanks to the sharing of the spectrum in MOCN mode.
- 2G Switch-off: nationwide sharing of the 2G network using GWCN technology, enabling both operators to switch off part (approximately 50%) of its network with the same technology, consequently saving on energy and maintenance costs.

Both initiatives are in progress at this moment, with the expectation of completion until the end of 2024.

Next generation network projects, future Internet applications, positive impact on the environment and society
5G for automotive sector –TIM in partnership with Stellantis, IP Facens (Research Institute of the Facens University Center), the universities USP - São Carlos, UFSCAR and the German Technische Hochschule Ingolstadt (THI), announced in June 2023 the launch of the “Conecta 2030: Connected and Cooperative Ecosystem for detecting pedestrians at crossings” project, aimed at creating a collaborative environment, focusing on initiatives for the safety of pedestrians and cyclists. The announcement of funding approval was made at the end of April by FUNDEP, one of the Rota 2030 program coordinators. From now on, the companies involved in Conecta 2030 face the challenge of developing in 3 years a concept-ecosystem for the development and implementation of ADAS (Advanced Driver Assistance Systems) solutions, based on three main pillars: 5G connectivity, artificial intelligence and digital twins.

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. The first deployments are expected to happen this year (2023), in agribusiness and port logistics customers. Also in 2022, TIM ran a Proof of Concept with a customer in the automotive industry, successfully demonstrating an automated quality conformance use case.

LEO Satellites - In 2022 TIM evaluated the use of LEO satellite constellations as the backhaul of mobile access network sites, demonstrating the feasibility of this kind of architecture to solve remote site implementation issues.

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 postponed because of the Covid's pandemic, but the first field tests has started in 2022 at Inatel campus in Santa Rita do Sapucaí - MG. In March 2023, the Open RAN 5G SA TIP test plan for network access with the vendor was completed and the TIP internal process to obtain the TIP Silver Badge[1] began and is expected to be completed after the review and approval of the deliverables. Since then, TIP has scaled down its activities in Latin America and the initiative was closed.

5G solutions through Cubo partnership - In October 2022, TIM Hub 5G was launched with demos (FWA, VR gaming, AR for Industry 4.0, 5G notebook, 360° necklace and camera), to promote and co-create with startups. TIM Hub 5G within Cubo Itaú allows the collaboration through an ecosystem, being a place for experimentation where customers, large companies, entrepreneurs, investors and public institutions, services and valid cases are connected to solutions in general. In March 2023, TIM Hub 5G in partnership with another Cubo's maintainer (Suzano), has selected a startup to deploy its agribusiness solution leveraged by TIM's 5G technology in one of the Suzano's farm. The deployment of this initiative is expected to happen during this year.

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 a new working group within the TIP, together with Vodafone and Telefonica, called DCSG (Disaggregated Cell Site Gateway). This project is 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 this year, the main functions of the solution were demonstrated with the help of Facebook, core EDGE suppliers and TIP members.

Finally, 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. Since then, TIM also adhered other initiatives, such as OpenRAN initiative with the Open Field Project, to validate OpenRAN 4G and 5G solutions

focused on the separation of hardware and software at a RAN level. This last initiative was closed 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.

Events subsequent to June 30, 2023

Payment of Interest on Equity

In July 2023, TIM S.A paid Interest on Capital (IOC) related to the fiscal year ending on December 31, 2023 and approved on June 12, 2023 according to the following schedule:

Payment Date	Reais per share
12/07/2023	0,119795497

Issuance of debentures

On July 12, 2023, the Shareholders' Meeting of TIM Brasil Serviços e Participações S.A., the holding company fully owned by the TIM Group through Telecom Italia Finance, which in turns holds approximately 66,58% of TIM S.A., approved the issue of a bond, non-convertible and intended for institutional investors, in the amount of 4,25 billion reais, equivalent to approximately 800 million euros. On July 25, 2023, the Shareholders' Meeting of TIM Brasil Serviços e Participações S.A. resolved to increase the total amount of the bond by 750 million reais.

Following this increase, the bond has a total equivalent value of 5 billion reais, equivalent to approximately 950 million euros. The settlement took place on 31 July 2023.

The bond issue is aimed at distributing dividends from TIM Brasil Serviços e Participações S.A. to its parent companies and is part of the TIM Group's refinancing activities.

For others details of subsequent events, see the specific Note "Events Subsequent to June 30, 2023".

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 and the structural transformation of the energy markets.

For Brazil too, 2022 growth was higher than initially expected and came to 2,9%. In general, Brazil suffers the slow-down of the global economy, in particular 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%. 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 participations held by the Group. 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. In particular, in order to mitigate the liquidity risk, the TIM Group aims to maintain an "adequate level of financial flexibility", in terms of cash and syndicated committed credit lines, enabling it to cover refinancing requirements at least for the next 12-18 months. For further details of financial risks, see the specific Note "Financial risks management" of the December 31, 2022 Consolidate Financial Statements.

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.

Alternative Performance Measures

In this Directors' Report and in the Consolidated Financial Statements of the Group for the year ended June 30, 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 the change in the scope of consolidation and exchange differences. 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 non-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	30/06/2023	31/12/2022
Non-current assets			
Intangible assets		3.451	3.312
Goodwill	[4]	1.039	977
Intangible assets with a finite useful life	[5]	2.412	2.334
Tangible assets	[6]	2.347	2.147
Property, plant and equipment		2.347	2.147
Right of use assets	[7]	2.120	1.981
Other non-current assets		2.803	2.759
Investments	[8]	317	277
Non-current financial receivables for lease contracts	[9]	40	37
Other non-current financial assets	[9]	1.550	1.669
Miscellaneous receivables and other non-current assets	[10]	650	531
Deferred tax assets		246	246
Total Non-current assets		10.721	10.199
Current assets			
Inventories		72	42
Trade and miscellaneous receivables and other current assets	[11]	978	865
Current income tax receivables		79	105
Current financial assets	[9]	4.971	4.656
Current financial receivables arising from lease contracts		6	6
Securities other than investments, financial receivables and other current financial assets		1.737	1.609
Cash and cash equivalents		3.229	3.042
Total Current Assets		6.101	5.669
TOTAL ASSETS		16.822	15.868

The accompanying notes are an integral part of these half-year accounts.

Equity and Liabilities

(million euros)	Note	30/06/2023	31/12/2022
Equity			
Share capital issued	[12]	1.819	1.819
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year		4.886	4.547
Equity attributable to owners of the Parent		6.704	6.366
Non-controlling interests	[3]	1.638	1.545
TOTAL EQUITY		8.342	7.911
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	[13]	2.077	2.330
Non-current financial liabilities for lease contracts	[13]	2.100	1.900
Deferred tax liabilities		—	—
Provisions	[17]	292	252
Miscellaneous payables and other non-current liabilities	[18]	170	179
Total Non-current liabilities		4.638	4.661
Current liabilities			
Current financial liabilities for financing contracts and others	[13]	1.785	1.235
Current financial liabilities for lease contracts	[13]	402	406
Trade and miscellaneous payables and other current liabilities	[19]	1.644	1.641
Current income tax payables		9	14
Total Current Liabilities		3.841	3.296
TOTAL LIABILITIES		8.479	7.957
TOTAL EQUITY AND LIABILITIES		16.822	15.868

The accompanying notes are an integral part of these half-year accounts.

Separate Consolidated Income Statements

(million euros)	Note	1st Half 2023	1st Half 2022
Revenues	[21]	2.098	1.819
Other operating income		8	8
Total operating revenues and other income		2.106	1.828
Purchase of goods and services		-843	-761
Employee benefits expenses		-163	-144
Other operating expenses		-185	-173
Change in inventories		25	14
Internally generated assets		49	42
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		989	806
Depreciation and amortization		-659	-558
Gains/(losses) on disposals of non-current assets		5	5
Operating profit (loss) (EBIT)		336	253
Share of profits (losses) of equity investments valued using equity method		-8	-4
Other income (expenses) from investments		—	—
Finance income	[22]	440	580
Finance expenses	[22]	-526	-728
Profit (loss) before tax from continuing operations		241	100
Income tax expenses		-33	-18
PROFIT (LOSS) FOR THE PERIOD		209	83
Attributable to			
Owners of the Parent		145	42
Non-controlling interests		63	41

The accompanying notes are an integral part of these half-year accounts.

Consolidated Statements of Comprehensive Income

(millions of euros)	Note	1st Half 2023	1st Half 2022
Profit (loss) for the period	(a)	209	83
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)	326	500
Financial assets measured at fair value through other comprehensive income:	(e)	13	-36
Profit (loss) from fair value adjustments		19	-51
Loss (profit) transferred to the Separate Consolidated Income Statements		-6	15
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)	313	535
Profit (loss) on translating foreign operations		313	535
Other components of the Consolidated Statements of Comprehensive Income	(h=b+d)	326	500
Total comprehensive income (loss) for the period	(i=a+h)	535	583
Attributable to			
Owners of the Parent		375	379
Non-controlling interests		160	204

The accompanying notes are an integral part of these half-year accounts.

Consolidated Statements of Changes in Equity

Changes from January 1, 2023 to June 30, 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	—	—	—	—	—	—	—	-38	-38	-68	-106
Total comprehensive income (loss) for the period	—	—	13	—	216	—	—	145	375	160	535
Other changes	—	—	—	—	—	—	—	1	1	1	2
Balance at June 30, 2023	1.819	3.148	-42	2	-1.898	—	—	3.677	6.704	1.638	8.342

Changes from January 1, 2022 to June 30, 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, 2023	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 June 30, 2023	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 half-year accounts.

Consolidated Statements of Cash Flows

(million euros)	Note	1st Half 2023	1st Half 2022
Cash Flows from operating activities:			
Profit (loss) from continuing operations		209	83
Adjustments for:			
Depreciation and amortisation		659	558
Impairment losses(reversals) of non-current assets (including investments)		2	10
Net change in deferred tax assets and liabilities		15	-1
Losses (gains) realised on disposal of non-current assets (including investments)	[32] [33]	-5	-5
Change in inventories		-25	-14
Change in trade receivables and net amounts due from customers on construction contracts	[11]	-27	-18
Change in trade payables		2	25
Net change in current income tax receivables/payables		20	-57
Net changes in miscellaneous receivables/payables and other assets/liabilities		-135	297
Cash flows from (used In) operating activities		714	878
Cash Flows from investing activities:			
Total purchase of intangible and tangible assets and right of use on a cash basis		-517	-884
Change in financial receivables and other financial assets	[9]	-31	750
Acquisition of control of companies or other businesses, net of cash acquired		—	-1.183
Collection on sale of equity investments in subsidiaries net value		—	—
Proceed from sale/repayment of intangible, tangible and other non-current assets		—	—
Cash flows from (used In) investing activities		-548	-1.317
Cash Flows from financing activities:			
Changes in current financial liabilities and other	[13]	295	-310
Proceeds from non-current financial liabilities (including current portion)	[13]	—	225
Repayments of non-current financial liabilities (including current portion)	[13]	-192	-212
Changes in derivatives		-6	-17
Dividends paid		-130	-90
Changes in ownership interests in consolidated subsidiaries		—	-4
Cash flows from (used In) financing activities		-33	-408
Aggregate Cash flows		134	-847
Net foreign exchange differences on net cash and cash equivalents		34	-25
Net cash and cash equivalents at the beginning of the year	[9]	3.030	3.239
Net cash and cash equivalents at the end of the period	[9]	3.164	2.392

Additional Cash Flow Information

(million euros)	1st Half 2023	1st Half 2022
Income taxes (paid) received	-47	-4
Interest expense paid	-359	-274
Interest income received	165	125
Dividends received	—	—

The accompanying notes are an integral part of these half-year accounts.

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 Group is also involved in providing financial assistance and loans to the ultimate Parent of the Group and its subsidiaries.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2023 of the Group have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board as endorsed by EU ("IFRS") and were authorized for issue with a resolution of the Board of Directors on August 01, 2023. The Half-Year Condensed Consolidated Financial Statements at June 30, 2023 are subject to approval by the shareholders meeting.

In particular, they have been prepared in accordance with IAS 34 (Interim Financial Reporting) and, as permitted by that standard, do not include all the information that would be required in annual financial statements; accordingly, these financial statements should be read together with the 2022 Telecom Italia Finance Group Consolidated Financial Statements.

In the first six months of 2023, the Group adopted accounting policies consistent with those of the previous year, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2023. See the Note "Accounting policies" for more details.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2023 have been prepared under the historical cost convention, except for financial assets, which are measured at the fair value recognized in the other components of the comprehensive income, financial assets measured at fair value through the income statement, and derivative financial instruments, which have been measured at fair value.

For the sake of comparison, data from the statement of financial position at December 31, 2022, the separate consolidated income statement and consolidated statement of comprehensive income, consolidated statement of cash flows and changes in consolidated shareholders' equity for the first half of 2022, are also presented.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2023 have been prepared on a going concern basis (for further details see Note "Accounting policies").

The Half-Year Condensed Consolidated Financial Statements at June 30, 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. In particular:

- 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 period 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.

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 Half-Year Condensed Consolidated Financial Statements at June 30, 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);
 - changes in the general macroeconomic situation in the Italian, European and Brazilian markets, as well as the volatility of the financial markets deriving from the risks of recession and inflation. More specifically, these risks are tied to the increase in cost of commodities and energy, also following 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" of the December 31, 2022 Consolidate Financial Statements.

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.

ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION

The accounting policies and principles of consolidation adopted in the preparation of the Half-Year Condensed Consolidated Financial Statements at June 30, 2023 have been applied on a basis consistent with those used for the Consolidated Financial Statements at December 31, 2022, to which reference should be made, except for:

- amendments to accounting standards issued by the IASB and in force from January 1, 2023 and subsequently described;
- the changes required because of the nature of interim financial reporting.

Furthermore, in the Half-Year Condensed Consolidated Financial Statements at June 30, 2023, income taxes for the period of the individual consolidated companies are calculated according to the best possible estimate based on available information and on a reasonable forecast of performance up to the end of the tax period. Conventionally, the income tax liabilities (current and deferred) on the profit for the interim period of the individual consolidated companies are recorded net of advances and tax receivables (excluding receivables for which refunds have been requested) as well as deferred tax assets, and classified as an adjustment to "Deferred tax liabilities"; if the balance between deferred tax assets and deferred tax liabilities is an asset it is conventionally recognized in "Deferred tax assets".

USE OF ESTIMATES

The preparation of the Half-Year Condensed Consolidated Financial Statements at June 30, 2023 and related disclosure in conformity with IFRS requires management to make estimates and assumptions based also on subjective judgments, past experience and hypotheses 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 the amount of revenues and costs during the period. 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.

As regard the most important accounting estimates, please refer to those illustrated in the Consolidated Financial Statements at December 31, 2022.

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

On September 8, 2022, Regulation (EU) 2022/1491 was issued, endorsing some changes relating to the presentation of comparative information for financial assets on initial application of IFRS 17 "Insurance contracts".

The amendment adds a transition option that allows an entity to apply an optional classification overlay in the comparative period(s) presented on the initial application of IFRS 17. The overlay allows all financial assets, including those held in relation to assets not connected with contracts within the scope of application of IFRS 17, to be classified, instrument by instrument, in the comparative period(s) so as to align with the way in which the entity expects such assets to be classified for the initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or that will apply it when they apply IFRS 17.

IFRS 17, which incorporates the amendment, will come into force for all financial years starting on or after January 1, 2023.

The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2023.

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

On March 2, 2022, Regulation (EU) 2022/357 was issued, endorsing some amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, introducing a new definition of "accounting estimates".

In the amended standard, accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendments clarify what changes in accounting estimates are and how they differ from changes in accounting policies and from error correction.

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

The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 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, implementing some amendments to IAS 12 - Income taxes.

The changes clarify how the companies need to record deferred tax on leases and the costs of decommissioning/restoration.

IAS 12 specifies how a company should book income tax, including deferred tax, which represent the amounts of tax payable or recoverable in the future.

The changes in question rule that an entity shall note deferred tax on certain transactions (e.g. leases and decommissioning and restoration expenses) that give rise to temporary taxable and deductible differences of equal amount at the time of initial booking.

According to IAS 12, in specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time.

Following the uncertainty brought about as a result of the fact that the exemption applies to lease contracts and decommissioning/restoration obligations, to allow for the consistent application of the standard, the IASB issued these changes of limited scope.

According to the changes in question, the exemption envisaged by the standard shall not apply to leases and decommissioning/restoration obligations, for which the company must, therefore, record both a deferred tax asset and liability.

The changes will come into force starting January 1, 2023.

The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2023.

Amendments to IAS 1 - Presentation of Financial Statements

On March 2, 2022, Regulation (EU) 2022/357 was issued, endorsing some amendments to IAS 1 - Presentation of Financial Statements, supplying guidelines and examples to help the entities assess the materiality for the purposes of providing a disclosure on accounting policies.

The IASB has also issued amendments to the “IFRS Practice Statement 2 - Making Materiality Judgments (the PS)” to support the changes to IAS 1, explaining and demonstrating application of the “4 step materiality process” to the disclosure on the accounting policies.

In particular, the changes aim to help the entities to provide more useful information on their 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 Half-Year Condensed Consolidated Financial Statements at June 30, 2023.

NEW STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET APPLICABLE

At the reporting date of these Half-Year Condensed Consolidated Financial Statements at June 30, 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 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
Amendments to IAS 1 Presentation of Financial Statements: non-current liabilities with covenants	1 January, 2024
Amendments to IAS 7: Statement of Cash Flows and IFRS 7 - Financial Instruments - additional information	1 January, 2024
Amendments to IAS 12: Income tax expense: International tax reform - Pillar two model rules	1 January, 2023

The potential impacts on the Group Consolidated Financial Statements from application of these standards and interpretations are currently being assessed.

Note 3 - Scope of Consolidation**SCOPE OF CONSOLIDATION**

The changes in the scope of consolidation at June 30, 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

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	30/06/2023
Brazil	977	—	—	—	61	1.039

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

With reference to the Brazil Cash Generating Unit, Goodwill recorded net exchange gains for 61 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 5,23654 as of June 30, 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 consolidated financial statements. If specific events or circumstances occur (trigger events) that may indicate an impairment of goodwill, impairment testing is also carried out when preparing the interim financial statements.

In accordance with the TIM Group procedures, in preparation of the half-year report at June 30, 2023, has been deemed it appropriate to carry out an impairment test on goodwill.

The results showed that the recoverable amount of the assets at June 30, 2023 was higher than the net carrying amount for the Brazil CGU (+1.263 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 result is that a 18,83% price per share reduction, compared to the reference quotation considered for the purposes of the financial statements, would make the fair value based on market capitalization equal to the carrying amount, consequently making it necessary to analyse the Value in Use of the CGU.

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 the 1st Half 2023 and 2022 are referred to Brazil Business Unit.

(millions of euros)	31/12/2022	Investments	Amortization	Exchange differences	Capitalized borrowing costs	Other Changes	30/06/2023
Industrial patents and intellectual property rights	438	72	-90	27	—	16	463
Concessions, licenses, trademarks and similar rights	1.323	7	-78	104	—	522	1.879
Other intangible assets	44	—	-4	3	—	—	43
Work in progress and advance payments	530	9	—	9	17	-537	28
Total	2.334	89	-172	143	17	—	2.412

(millions of euros)	31/12/2021	Investments	Amortization	Disposals	Exchange differences	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	—	530
Total	1.552	215	-338	—	175	682	2.334

Investments in 2023 amounted to 89 million euros (215 million euros in 2022) and included 16 million euros in internally generated assets (13 million euros in the 1st Half 2022).

Industrial patents and intellectual property rights at June 30, 2023 consisted mainly of software licenses.

Concessions, licenses, trademarks and similar rights at June 30, 2023 mainly related to the remaining cost of telephone licenses and similar rights for 1.819 million of euros (1.268 million euros at December 31, 2022).

Work in progress and advance payments Brazil Business Unit (28 million euros) and refer to software developments and investments for the digital evolution of network infrastructures. The reduction seen during the first half of 2023 is mainly linked to the commissioning, including that of the rights of use of the 3,5 GHz (5G) frequencies of the Brazil Business Unit (522 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 17 million euros were capitalized. The capitalized finance expenses have been deducted directly from "finance expense".

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	30/06/2023
Land	7	—	—	—	—	—	8
Buildings (civil and industrial)	10	—	-1	—	1	—	10
Plant and equipment	1.927	226	-226	—	125	91	2.143
Other	110	27	-25	—	7	4	122
Construction in progress and advance payments	94	62	—	—	4	-95	65
Total	2.147	315	-252	—	138	-1	2.347

(million euros)	31/12/2021	Investments	Depreciation	Disposals	Exchange differences	Other Changes	Deconsolidation of I-System S.A.	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 315 million euros (650 million euros in 2022) and included 33 million euros in internally generated assets (29 million euros in the 1st Half 2022).

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.

Note 7 - Right of use assets

At June 30, 2023 right of use assets amounted to 2.120 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	30/06/2023
Property	545	—	176	-61	-28	38	—	670
Plant and equipment	1.436	—	145	-175	-42	87	—	1.450
Other	—	—	—	—	—	—	—	—
Total	1.981	—	320	-236	-71	125	—	2.120

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

Note 8 - Investments

INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates accounted for using the equity method are reported below:

(million euros)	30/06/2023	31/12/2022
I-Systems S.A.	286	277
Total	286	277

The changes to the item during the period are due to equity method accounting for -8 million euros and exchange rate difference for 17 million euros.

OTHER INVESTMENTS

Other investments refer mainly to the following:

(million euros)	30/06/2023	31/12/2022
Banco C6 S.A.	31	—
Total	31	—

Other investments include also TI Audit Compliance Latam S.A. that is an associate to the Group, but its contributions in the Consolidated Financial Statements is considered to be non-material.

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

(millions of euros)	30/06/2023	31/12/2022
Non-current financial assets	1.590	1.706
Financial receivables for lease contracts	40	37
Hedging derivatives relating to hedged items classified as non-current assets/ liabilities of a financial nature	2	2
Non-hedging derivatives	397	503
Loans and other financial receivables	1.151	1.164
Current financial assets	4.971	4.656
Securities other than investments	1.478	1.446
Fair value through other comprehensive income (FVTOCI)	1.426	1.040
Fair value through profit or loss (FVTPL)	52	406
Financial receivables and other current financial assets	265	168
Financial receivables arising from lease contracts	6	6
Non-hedging derivatives	127	71
Loans and other financial receivables	132	91
Cash and cash equivalents	3.229	3.042
Total non-current and current financial assets	6.561	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 524 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 June 30, 2023 the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit is equal to 92 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 1.283 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 920 million euros (368 million euros at December 31, 2022) of treasury bonds and 506 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 52 million euros (406 million euros at December 31, 2022) in monetary funds.

At June 30, 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 801 million euros by entering in repurchase agreements ("Repo") expiring in short term.

At June 30, 2023, the Parent has contracts of security lending with TIM S.p.A. for a total of 40,0 million euros of government bonds.

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.

On February 14th, Telecom Italia Finance agreed to grant a pledge over securities in favour of the European Investment Bank ("BEI") as security for the performance of TIM S.p.A. ("TIM") obligations under three loans granted by BEI to TIM during 2019 and 2021. The value of the guarantee provided by TI Finance is EUR 350 million.

Cash and cash equivalents:

(millions of euros)	30/06/2023	31/12/2022
Liquid assets with banks, financial institutions and post offices	1.056	1.241
Other financial receivables (due within 3 months)	1.579	868
Securities other than investments (due within 3 months)	595	932
Total	3.229	3.042

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

(millions of euros)	30/06/2023	31/12/2022
Liquid assets with banks, financial institutions and post offices	1.056	1.241
Other financial receivables (due within 3 months)	1.579	868
Securities other than investments (due within 3 months)	595	932
	3.229	3.042
Financial payables (due within 3 months)	-65	-11
Total	3.164	3.030

The different technical forms of investing available cash at June 30, 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) refers 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 595 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)	30/06/2023	31/12/2022
Miscellaneous receivables	632	516
Other non-current assets	17	14
Prepaid expenses from customer contracts (contract assets)	5	5
Other prepaid expenses	12	9
Total	650	531

As at June 30, 2023 **Miscellaneous receivables** relate to the Brazil Business Unit for an amount of 632 million euros (516 million euros at December 31, 2022). They include receivables for court deposits of 272 million euros (245 million euros at December 31, 2022), non-current income tax receivables of 160 million euros (93 million euros at December 31, 2022) and receivables for indirect taxes totaling 184 million euros (152 million euros at December 31, 2022).

More specifically, the legal deposits included the deposit, at June 30, 2023 equal to 140 million euros, requested in October 2022 by the 7th Business Court of the Legal District of Rio de Janeiro (Brazil) of TIM S.A., as buyer of part of the mobile assets of the Oi Group. Further details are provided in the Note "Disputes and Pending Legal Actions, other information, commitments and guarantees".

Other non-current assets include prepaid expenses related to the Brazil BU for 17 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.

Note 11 - Trade and miscellaneous receivables and other current assets

(million euros)	30/06/2023	31/12/2022
Trade receivables	723	654
Receivables from customers	619	575
Receivables from other telecommunications operators	104	79
Miscellaneous receivables	160	157
Other current assets	95	54
Prepaid expenses from customer contracts (contract assets)	32	31
Other prepaid expenses	63	23
Total	978	865

As at June 30, 2023 **Trade receivables** related to the Brazil Business Unit amounted to 723 million euros (654 million euros at December 31, 2022) and are stated net of the provision for expected credit losses of 117 million euros (105 million euros at December 31, 2022).

As at June 30, 2023 **Miscellaneous receivables** amounted to 160 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)	30/06/2023	31/12/2022
Advances to suppliers	5	6
Tax receivables	104	120
Sundry receivables	51	32
Total	160	157

As at June 30, 2023 **Tax receivables** included 104 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.

Note 12 - Share capital issued

As at June 30, 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 June 30, 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 13 - Financial liabilities (non-current and current)

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

(million euros)	30/06/2023	31/12/2022
Non-current financial liabilities	4.177	4.230
Financial payables (medium/long-term):	1.811	1.972
Bonds	1.364	1.331
Amounts due to banks	149	348
Other financial payables	299	294
Finance lease liabilities (medium/long-term)	2.100	1.900
Other financial liabilities (medium/long-term):	266	358
Non-hedging derivatives	266	358
Current financial liabilities	2.187	1.640
Financial payables (short-term):	1.641	1.143
Bonds	34	73
Amounts due to banks	1.530	1.048
Other financial payables	77	23
Finance lease liabilities (short-term)	402	406
Other financial liabilities (short-term):	144	91
Hedging derivatives	1	—
Non-hedging derivatives	143	91
Total financial liabilities (gross financial debt)	6.364	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 hedging instruments, is provided below:

(million euros)	30/06/2023	31/12/2022
Up to 2,5%	160	740
From 2,5% to 5%	1.169	246
From 5% to 7,5%	530	552
From 7,5% to 10%	1.013	1.012
Over 10%	3.022	2.744
Accruals/deferrals, MTM and derivatives	471	575
Total	6.364	5.870

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

(million euros)	30/06/2023	31/12/2022
Up to 2,5%	127	640
From 2,5% to 5%	866	7
From 5% to 7,5%	307	320
From 7,5% to 10%	1.103	1.111
Over 10%	3.491	3.216
Accruals/deferrals, MTM and derivatives	471	575
Total	6.364	5.870

Details of the maturities of financial liabilities – at nominal repayment amount as at June 30, 2023:

(millions of euros)	maturing by 31/12 of the year						Total
	2024	2025	2026	2027	2028	After 2028	
Bonds	—	—	—	—	306	1.015	1.321
Loans and other financial liabilities	374	8	58	—	44	373	858
Finance lease liabilities	—	—	—	—	235	2.254	2.490
Total	374	8	58	—	585	3.643	4.668
Current financial liabilities	866	—	—	307	—	—	1.173
Total	1.239	8	58	307	585	3.643	5.841

Details of the maturities of financial liabilities – at nominal repayment amount as at December 31, 2022:

(millions of euros)	maturing by 31/12 of the year						Total
	2023	2024	2025	2026	2027	After 2027	
Bonds	—	—	—	—	—	1.303	1.303
Loans and other financial liabilities	187	200	68	—	—	408	864
Finance lease liabilities	—	678	—	—	59	1.529	2.266
Total	187	878	68	—	59	3.240	4.432
Current financial liabilities	826	—	—	—	—	—	826
Total	1.013	878	68	—	59	3.240	5.258

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 June 30, 2023:

Currency	Amount (millions)	Nominal repayment amount at 30/06/2023 (millions of euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 30/06/2023 (%)	Market value at 30/06/2023 (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[*]	104,778	1.063
Bonds issued by TIM S.A.								
BRL	1.600	306	IPCA+4,1682%	15/06/2021	15/06/2028	100	100,000	306
Total								1.369

[*]Weighted average issue price for bonds issued with more than one tranche.

Amounts due to banks (medium/long term) of 149 million euros (348 million euros at December 31, 2022) decreased by 199 million euros, mainly as net result of new loans and the transfer to the current portion.

As at June 30, 2023 **Other financial payables (medium/long-term)** amounted to 299 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 2.100 million euros at June 30, 2023 (1.900 million euros at December 31, 2022). With reference to the financial lease liabilities recognized, in the 1st Half 2023 and the 1st Half 2022 the following is noted:

(million euros)	30/06/2023	30/06/2022
Principal reimbursements	174	122
Cash out interest portion	131	100
Total	305	222

The lease amounts considered low-value or short-term (less than 12 months) were recognized as rental expenses and totaled 3 million euros in 2023 (7 million euros in 2022).

Non-hedging derivatives relating to items classified as current and non-current financial liabilities totalled 409 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 1.530 million euros (1.048 million euros at December 31, 2022) and included 415 million euros of the current portion of medium/long-term amounts due to banks. As at June 30, 2023 the item includes 801 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 14 - Net financial debt

The following table shows the net financial debt at June 30, 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)		30/06/2023	31/12/2022
Liquid assets with banks, financial institutions and post offices	a)	1.056	1.241
Other cash and cash equivalents	b)	595	932
Securities other than investments	c)	1.478	1.446
Liquidity	d=a+b+c	3.128	3.620
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	e)	1.180	831
Current portion of non-current financial debt	f)	880	738
Current financial debt	g=e+f	2.060	1.569
Net current financial debt	h=g-d	-1.068	-2.051
Non-current financial debt (excluding the current part and debt instruments)	i)	2.414	2.395
Debt instruments	j)	1.364	1.331
Trade payables and other non-current debt	k)	84	116
Non-current financial debt	l=i+j+k	3.862	3.842
Total net financial debt as per ESMA guidelines 32-382-1138	m=h+l	2.794	1.790
Trade payables and other non-current debt		-84	-116
Loans and other non-current financial receivables		-1.151	-1.164
Non-current financial receivables arising from lease contracts		-40	-37
Loans and other current financial receivables		-1.711	-959
Current financial receivables arising from lease contracts		-6	-6
Subtotal	n)	-2.991	-2.283
Net financial debt carrying amount[*]	o=m+n	-197	-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)	31/12/2022	Cash movements		Non-cash movements		Other changes	30/06/2023
		Receipts and/or issues	Payments and/or reimbursements	Differences exchange rates	Fair value changes		
Financial payables (medium/long-term):	2.284	—	-24	26	—	-13	2.272
Bonds	1.404	—	—	21	—	-27	1.398
Amounts due to banks	576	—	-24	10	—	2	564
Other financial payables	305	—	—	-4	—	11	311
<i>of which short-term portion</i>	312	—	-24	3	—	170	461
Finance lease liabilities (medium/long-term):	2.306	218	-167	-84	—	229	2.502
<i>of which short-term portion</i>	2.306	218	-167	-84	—	229	2.502
Other financial liabilities (medium/long-term):	445	—	—	3	-45	5	409
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	—	—	—	—	—	—	1
Non-hedging derivatives	445	—	—	3	-45	4	408
<i>of which short-term portion</i>	88	—	—	13	-19	62	143
Financial payables (short-term):	835	347	-4	—	1	2	1.181
Amounts due to banks	820	294	—	—	—	2	1.115
Non-hedging derivatives	4	—	-4	—	1	—	1
Other financial payables	11	54	—	—	—	—	65
Total financial liabilities (gross financial debt)	5.870	565	-196	-55	-43	223	6.364
Positive hedging derivatives (current and non-current)	2	—	—	—	—	—	2
Positive non-hedging derivatives (current and non-current)	574	—	-3	-14	-50	17	524
Total	5.294	565	-193	-41	7	206	5.838

(million euros)	31/12/2021	Cash movements		Non-cash movements		Other changes	31/12/2022
		Receipts and/or issues	Payments and/or reimbursements	Differences exchange rates	Fair value changes		
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
<i>of which short-term portion</i>	<i>168</i>	<i>—</i>	<i>-104</i>	<i>7</i>	<i>—</i>	<i>241</i>	<i>312</i>
Finance lease liabilities (medium/long-term):	1.434	184	-301	168	—	820	2.306
<i>of which short-term portion</i>	<i>201</i>	<i>—</i>	<i>-301</i>	<i>12</i>	<i>—</i>	<i>493</i>	<i>406</i>
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
<i>of which short-term portion</i>	<i>53</i>	<i>—</i>	<i>—</i>	<i>8</i>	<i>16</i>	<i>11</i>	<i>88</i>
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 15 - 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 June 30, 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 3.413 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 June 30, 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 30/06/2023	Notional amount at 31/12/2022	Spot Mark-to-Market (Clean Price) at 30/06/2023	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	2	2
Total Cash Flow Hedge Derivative [**]		139	139	2	2
Total Non-Hedge Accounting Derivatives [***]		3.584	3.914	35	33
Total Telecom Italia Finance Group Derivatives		3.723	4.052	37	34

[*] 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 92 million euros on the basis of a commercial agreement signed by the two companies in March 2020.

Note 16 - Supplementary disclosures on financial instruments

Measurement at fair value

For the purposes of the comparative information between the carrying amounts and the fair value of financial instruments, required by IFRS 7, for the Parent's bond included in non-current financial liabilities, the fair value is directly observable in the financial markets, as it is a financial instrument that, due to its size and diffusion among investors, is commonly traded on the relevant markets (see the Note "Financial Liabilities (non-current and current)"). For other types of financing, the fair value has been assumed to be equal to nominal repayment amount (level 3) since most of them are at variable rate. For the majority of financial assets, their carrying amount constitutes a reasonable approximation of their fair value since these are short-term investments that are readily convertible into cash or loans towards Ultimate Parent Company and other TIM Group companies.

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 June 30, 2023.

The assets and liabilities at June 30, 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 June 30, 2023:

(millions of euros)	IFRS 9 Categories	Note	Value at 30/06/2023	Levels of hierarchy	
				Level1	Level2
ASSETS					
Non-current Assets	a)		430	—	430
Other investments	FVTPL	[8]	31	—	31
Other non-current financial assets:					
Hedging derivatives	HD[*]	[9]	2	—	2
Non-hedging derivatives	FVTPL	[9]	397	—	397
Current Assets	b)		1.605	1.478	127
Securities other than investments, measured at:					
Fair value through other comprehensive income	FVTOCI	[9]	1.426	1.426	—
Fair value through profit or loss	FVTPL	[9]	52	52	—
Other current financial assets:					
Non-hedging derivatives	FVTPL	[9]	127	—	127
Total (a+b)			2.035	1.478	557
LIABILITIES					
Non-current liabilities	c)		266	—	266
Non-hedging derivatives	FVTPL	[13]	266	—	266
Current liabilities	d)		144	—	144
Hedging derivatives	HD[*]	[13]	1	—	1
Non-hedging derivatives	FVTPL	[13]	143	—	143
Total (c+d)			410	—	410

[*] 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:

(millions of euros)	IFRS 9 Categories	Note	Value at 31/12/2022	Levels of hierarchy	
				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 June 30, 2023:

(millions of euros)	IFRS 9 Categories	Note	Value at 30/06/2023	Fair Value at 30/06/2023	Levels of hierarchy		Amounts recognized in the financial statements pursuant to IFRS 16
					Level1	Level3	
ASSETS							
Non-current Assets	a)		1.191	1.191	—	1.151	40
Other financial receivables	AC	[9]	1.151	1.151	—	1.151	—
Miscellaneous receivables	AC	[10]	—	—	—	—	—
Financial receivables for lease contracts	n/a	[9]	40	40	—	—	40
Current Assets	b)		4.093	4.093	—	4.088	6
Other short-term financial receivables	AC	[9]	132	132	—	132	—
Cash and cash equivalents	AC	[9]	3.229	3.229	—	3.229	—
Trade and miscellaneous receivables	AC	[11]	726	726	—	726	—
Financial receivables for lease contracts	n/a	[9]	6	6	—	—	6
Total (a+b)			5.284	5.284	—	5.239	45
LIABILITIES							
Non-current liabilities	c)		3.911	4.110	1.063	947	2.100
Financial payables	AC	[13]	1.811	2.011	1.063	947	—
Finance lease liabilities	n/a	[13]	2.100	2.100	—	—	2.100
Current liabilities	d)		3.046	3.046	—	2.644	402
Financial payables	AC	[13]	1.641	1.641	—	1.641	—
Trade and miscellaneous payables and other current liabilities	AC	[19]	1.003	1.003	—	1.003	—
Finance lease liabilities	n/a	[13]	402	402	—	—	402
Total (c+d)			6.957	7.156	1.063	3.591	2.502

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		Amounts recognized in the financial statements pursuant to IFRS 16
					Level1	Level3	
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

Note 17 - Provisions

(million euros)	31/12/2022	Increase	Taken to income	Used directly	Exchange differences and other changes	30/06/2023
Provision for taxation and tax risks	86	5	—	-1	11	101
Provision for restoration costs	52	—	—	—	-7	45
Provision for legal disputes	115	43	—	-20	8	145
Other provisions	1	—	—	—	—	1
Total	253	47	—	-21	13	292
of which:						
non-current portion	252	47	—	-21	13	292
current portion	1	—	—	—	—	1

Provision for taxation and tax risks increased by 15 million euros compared to December 31, 2022, mainly due to the exchange rate effect of the period (6 million euros). The balance at June 30, 2023 reflects provisions and uses made for 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 20 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 18 - Miscellaneous payables and other non-current liabilities

(million euros)	30/06/2023	31/12/2022
Other deferred income	122	120
Other	48	59
Total	170	179

Other deferred income includes the non-current portion of approximately 113 million euros as at June 30, 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.

Note 19 - Trade and miscellaneous payables and other current liabilities

(million euros)	30/06/2023	31/12/2022
Trade payables	824	904
Payables to suppliers	765	864
Payables to other telecommunication operators	58	41
Tax payables	90	102
Miscellaneous payables	655	565
Payables for employee compensation	47	45
Payables to social security agencies	18	14
Payables for TLC operating fee	414	323
Dividends approved, but not yet paid to shareholders	32	48
Other	143	134
Provisions for risks and charges for the current portion expected to be settled within 1 year	1	1
Other current liabilities	76	70
Deferred revenues from customer contracts (Contract liabilities)	6	5
Customer-related items	34	32
Other deferred income	11	11
Advances received	3	2
Other current liabilities	21	20
Total	1.644	1.641

Trade payables amounting to 824 million euros as at June 30, 2023 (904 million euros at December 31, 2022) are mainly referred to the Brazil Business Unit. The decrease on December 31, 2022 is connected with the partial payment of payables connected with the November 2021 purchase of 5G licenses.

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 June 30, 2023, trade payables due beyond 12 months totaled 37 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 90 million euros as at June 30, 2023 are entirely referred to the Brazil Business Unit (102 million euros at December 31, 2022).

Miscellaneous payables includes 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 (143 million euros). 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 20 - 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 June 30, 2023, as well as those that came to an end during the financial period.

SIGNIFICANT DISPUTES AND PENDING LEGAL ACTIONSInternational tax and regulatory disputes

As of June 30, 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 18,7 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 3,2 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 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 3,8 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. The Court of Appeal has scheduled the hearing for discussion of both proceedings for January 8, 2024.

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

In March 2020, TIM S.A. concluded negotiations with C6 and, in April 2020, launched exclusive offers for TIM customers who had opened C6 bank accounts and used their services. By way of compensation in 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 linked 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 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. had reported having obtained, under the scope of such partnership, the right to exercise a Subscription Bonus equal to an indirect share of approximately 1,4% in the share capital of Banco C6 S.A. following the December 2020 achievement of the 1st level of objectives agreed and that this would be exercised at the time deemed appropriate by the Company's management. It is important to stress that this subscription bonus assigns to TIM S.A., when exercised, a minority position without control or significant influence over the management of Banco C6 S.A.

Thereafter, the Company exercised the option to purchase and convert C6 shares, which account for 1,4% of the share capital, equal to 163 million reais (about 31 million euros).

Other Information

With reference to the cases "TIM S.A. - Arbitration proceedings connected with the acquisition of the Oi Group Mobile telephone assets" no significant facts have emerged with respect to that published in the 2022 Annual Financial Report.

COMMITMENTS AND GUARANTEES

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

(million euros)	30/06/2023	31/12/2022
Guarantee on bonds and other debts issued by the Group	1.142	1.157
Guarantee on derivatives financial instruments	28	26
Total	1.170	1.183

There are also surety bonds on the telecommunication services in Brazil for 698 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 122 million euros are covered by specific covenants. In the event of non-compliance with the covenant obligations, BNDES will have a right to the income which transits on the bank accounts of the company.

Note 21 - Revenues

(million euros)	1st Half 2023	1st Half 2022
Equipment sales	62	56
Services	2.036	1.764
Total	2.098	1.819

Revenues only relates to the Brazil Business Unit.

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 93 million euros in 2023 (79 million euros in 2022, 18,0% 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 22 - Finance income and expensesFINANCE INCOME

(million euros)	1st Half 2023	1st Half 2022
Interest income and other finance income	357	278
Income from financial receivables, recorded in non-current assets	42	43
Interest income on bank and postal accounts	47	58
Interest income on trade accounts receivable	2	2
Income from securities other than investments measured at FVTOCI	6	8
Income other than the above:		
Interest income on financials leasing receivables	3	2
Exchange gains	70	35
Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component)	1	1
Income from non-hedging derivatives	122	104
Miscellaneous finance income	65	24
Positive fair value adjustments to non-hedging derivatives	76	301
Positive adjustments and reversal for impairment on financial assets	7	1
Total	440	580

FINANCE EXPENSES

(million euros)	1st Half 2023	1st Half 2022
Interest expenses and other finance expenses	451	407
Interest expenses and other costs relating to bonds	45	56
Interest expenses to banks	23	10
Interest expenses to others	6	6
Interest expenses on lease liabilities	135	107
Expenses other than the above:		
Financial commissions and fees	6	8
Exchange losses	35	37
Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component)	—	—
Charges from non-hedging derivatives	152	106
Miscellaneous finance expenses	49	76
Negative fair value adjustments to non-hedging derivatives	74	314
Negative adjustments for impairment on financial assets	1	7
Total	526	728

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

(million euros)	1st Half 2023	1st Half 2022
Exchange gains	70	35
Exchange losses	-35	-37
Net exchange gains and losses	35	-2
Positive Reversal of the Reserve for cash flow hedge derivatives	1	1
Negative Reversal of the Reserve for cash flow hedge derivatives	—	—
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	1	—
Income from non-hedging derivatives	122	104
Charges from non-hedging derivatives	-152	-106
Net result from non-hedging derivatives	-30	-2
Net result from derivatives	-29	-2
Positive fair value to non-hedging derivatives	76	301
Negative fair value adjustments to non-hedging derivatives	-74	-314
Net fair value adjustments to non-hedging derivatives	2	-13
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 23 - 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	
	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022	1st Half 2023	1st Half 2022
Third-party revenues	2.098	1.819	—	—	2.098	1.819
Revenues by operating segment	2.098	1.819	—	—	2.098	1.819
Other income	7	8	—	—	8	8
Total operating revenues and other income	2.106	1.828	—	—	2.106	1.828
Purchase of goods and services	-842	-756	-1	-2	-843	-759
Employee benefits expenses	-162	-143	-1	-1	-163	-145
Other operating expenses	-183	-170	-2	-4	-185	-174
<i>of which: write-downs and expenses in connection with credit management and provision charges</i>	-74	-66	—	—	-74	-66
Change in inventories	25	14	—	—	25	14
Internally generated assets	49	42	—	—	49	42
EBITDA	993	813	-3	-7	990	806
Depreciation and amortization	-659	-558	—	—	-659	-558
Gains/(losses) on disposals of non-current assets	5	5	—	—	5	5
EBIT	339	260	-3	-7	336	253
Share of profits (losses) of equity investments valued using equity method					-8	-4
Other income (expenses) from investments					—	—
Finance income					440	580
Finance expenses					-526	-728
Profit (loss) before tax					241	100
Income tax income (expense)					-33	-18
Profit (loss) for the year					209	83
Attributable to:						
Owners of the Parent					145	42
Non-controlling interests					63	41

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	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Non-current operating assets	8.567	7.970	—	—	8.568	7.971
Current operating assets	926	789	29	65	955	854
Total operating assets	9.493	8.759	29	65	9.522	8.824
<i>Investments accounted for using the equity method</i>					286	277
<i>Unallocated assets</i>					7.013	6.767
Total Assets					16.822	15.868
Total operating liabilities	2.102	2.068	4	5	2.106	2.072
<i>Unallocated liabilities</i>					6.373	5.884
Equity					8.342	7.911
Total Equity and Liabilities					16.822	15.868

Note 24 - 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 the 1st Half 2023 and the 1st Half 2022 are as follows:

Separate Consolidated Income Statement line items at 30/06/2023

(million euros)	Total	Related Parties					% of financial statement item
		Associates, companies controlled by associates	Other related parties [*]	Pension funds	Key managers	Total related parties	
Revenues	2.098	—	4	—	—	4	0,2
Other income	8	—	—	—	—	—	1,8
Purchase of goods and services	843	—	99	—	—	99	11,7
Employee benefits expenses	163	—	—	2	3	5	3,1
Other operating expenses	185	—	—	—	—	—	—
Finance income	440	—	167	—	—	167	37,9
Finance expenses	526	—	49	—	—	49	9,3

[*] 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 Directors, Statutory Auditors and Key Managers.

Separate Consolidated Income Statement line items 2022

(million euros)	Related Parties						% of financial statement item
	Total	Associates, companies controlled by associates	Other related parties [*]	Pension funds	Key managers	Total related parties	
Revenues	1.819	—	4	—	—	4	0,2
Other income	8	—	—	—	—	—	1,3
Purchase of goods and services	761	—	72	—	—	72	9,5
Employee benefits expenses	144	—	—	2	6	8	5,7
Other operating expenses	173	—	—	—	—	—	—
Finance income	580	—	166	—	—	166	28,6
Finance expenses	728	—	233	—	—	233	32,1

[*] 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 Directors, Statutory Auditors and Key Managers.

The effects on the individual line items of the consolidated statements of financial position at June 30, 2023 and December 31, 2022 are as follows:

Consolidated Statement of Financial Position line items at 30/06/2023

(million euros)	Related Parties					% of financial statement item
	Total	Associates, companies controlled by associates	Other related parties [*]	Pension funds	Total related parties	
Net financial debt	-197	—	-2.569	—	-2.569	1.303,7
Non-current financial assets	-1.590	—	-1.214	—	-1.214	76,4
Current financial assets	-4.971	—	-1.724	—	-1.724	34,7
Securities other than investments (current assets)	-1.478	—	—	—	—	—
Financial receivables and other current financial assets	-265	—	-145	—	-145	54,9
Cash and cash equivalents	-3.229	—	-1.579	—	-1.579	48,9
Non-current financial liabilities	4.177	—	240	—	240	5,8
Current financial liabilities	2.187	—	129	—	129	5,9
Other statement of financial position line items						
Trade and miscellaneous receivables and other current assets	978	—	13	—	13	1,4
Miscellaneous payables and other non-current liabilities	170	—	—	—	—	—
Trade and miscellaneous payables and other current liabilities	1.644	—	49	2	51	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 Directors, Statutory Auditors 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	—	-1.842	—	-1.842	374,3
Non-current financial assets	-1.706	—	-1.271	—	-1.271	74,5
Current financial assets	-4.656	—	-991	—	-991	21,3
Securities other than investments (current assets)	-1.446	—	—	—	—	—
Financial receivables and other current financial assets	-168	—	-137	—	-137	81,5
Cash and cash equivalents	-3.042	—	-854	—	-854	28,1
Non-current financial liabilities	4.230	—	397	—	397	9,4
Current financial liabilities	1.640	—	23	—	23	1,4
Other statement of financial position line items						
Trade and miscellaneous receivables and other current assets	865	—	15	—	15	1,7
Miscellaneous payables and other non-current liabilities	179	—	—	—	—	—
Trade and miscellaneous payables and other current liabilities	1.641	—	38	2	40	2,4

[*] 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 Directors, Statutory Auditors and Key Managers.

TRANSACTIONS WITH PENSION FUNDS

The most significant amounts are summarized as follows:

Separate Consolidated Income Statement line items

(million euros)	1st Half 2023	1st Half 2022	Type of contract
Other pension funds	2	2	
Total employee benefits expenses	2	2	Contributions to pension funds

Consolidated Statement of Financial Position line items

(million euros)	30/06/2023	31/12/2022	Type of contract
Other pension funds	2	2	
Total trade and miscellaneous payables and other current liabilities	2	2	Payables for contributions to pension funds

REMUNERATION TO KEY MANAGERS

The remuneration to key managers in 2023 amounted to 3 million euros (6 million euros in 2022). The compensation of key Management personnel for services rendered is shown below:

(million euros)	1st Half 2023	1st Half 2022
Short-term benefits	2	2
Long-term benefits	—	—
Share-based payments remuneration	1	4
Total remuneration to key managers	3	6

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

Note 25 - Equity compensation plans

The equity compensation plans in force at June 30, 2023 are used for attraction and retention purposes, and as a long-term incentive for the managers and employees of the Group.

However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at June 30, 2023.

A summary is provided below of the plans in place at June 30, 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 June 30, 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.

Three vesting periods ended on June 30, 2023:

- In 2020, in compliance with the results approved on July 29, 2020, 309.557 shares were transferred to beneficiaries, of which 209.349 relating to the original volume accrued, 83.672 granted according to the degree to which objectives had been achieved and 16.536 shares as a result of the dividends distributed during the period.
- In 2021, in compliance with the results approved on July 26, 2021, 309.222 shares were transferred to beneficiaries, of which 207.859 relating to the original volume accrued, 78.111 discounted according to the degree to which objectives had been achieved and 23.252 shares for dividends distributed during the period.
- In 2022, in compliance with the results approved on April 26, 2022, 618.495 shares were transferred to beneficiaries, of which 419.188 relating to the original volume accrued, 137.064 discounted according to the degree to which objectives had been achieved and 62.243 shares for dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 11.574 shares (7.842 relating to the original volume accrued, 2.537 acknowledged according to the degree to which the objectives had been achieved and 1.195 due to dividends distributed during the period).

At June 30, 2023, of the total assigned of 930.662 shares, 86.424 had been canceled due to the beneficiaries having left the company and 1.237.274 shares had been transferred to beneficiaries (836.396 relating to the original volume accrued, 298.847 from performance achieved and 102.031 for payment of dividends in shares) and 11.574 shares had been valued and paid in cash (7.842 relating to the original volume accrued,

2.537 from performance achieved and 1.195 for payment of dividends in shares), thereby completing the 2019 concession.

• Year 2020

On April 14, 2020, plan beneficiaries were granted the right to receive a total of 796.054 shares, of which 619.751 performance shares restricted to performance conditions and with gradual vesting over 3 years and 176.303 restricted shares, with a total vesting period of 3 years.

Two vesting periods ended on June 30, 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 will be 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 June 30, 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 related 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), thereby completing the 2020 concession.

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 June 30, 2023, in connection with the traditional grant, two vesting periods ended:

- In 2022, in compliance with the results approved on April 26, 2022, in July 572.608 shares were transferred to beneficiaries, of which 463.608 relating to the original volume accrued, 87.605 granted according to the degree to which objectives had been achieved and 21.395 shares as a result of the dividends distributed during the period. In addition, for participants transferred to other Group

companies, as per the Plan rules, payment in cash was considered in 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 2022, 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 June 30, 2023, of the total assigned of 3.431.610 shares, 710.458 shares were canceled due to the beneficiaries leaving the Company, thereby leaving a balance of 628.262 shares that could be accrued at period end.

• 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.

As at June 30, 2023, 192.105 shares were canceled due to beneficiaries leaving the company; at the same date, the first vesting period ended, after which, in July, 392.460 shares were transferred to beneficiaries, of which 264.305 relating to the original volume accrued, 110.928 granted according to the degree to which the objectives had been achieved and 17.227 shares as a result of dividends distributed during the period, thereby leaving a balance of 771.302 shares that could be accrued at period end.

Note 26 - 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)	
<i>Local currency against 1 EUR</i>	30/06/2023	31/12/2022	30/06/2023	30/06/2022
BRL (Brazilian real)	5,23654	5,56520	5,48212	5,56056
USD (U.S. dollar)	1,08660	1,06660	1,08096	1,09331
JPY (Japan Yen)	157,16000	140,66000	145,75308	134,33829
GBP (Pound sterling)	0,85828	0,88693	0,87639	0,84219
CHF (Swiss franc)	0,97880	0,98470	0,98558	1,03167

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)	1st Half 2023	1st Half 2022
Capitalized development costs	2.412	2.393
Total research and development costs	2.412	2.393

Note 27 - Events subsequent to June 30, 2023**TIM Brasil Serviços e Participações S. A.: placement of a 5 billion reais bond**

On July 12, 2023, the Shareholders' Meeting of TIM Brasil Serviços e Participações S.A., the holding company fully owned by the TIM Group through Telecom Italia Finance, which in turns holds approximately 66,58% of TIM S.A., approved the issue of a bond, non-convertible and intended for institutional investors, in the amount of 4,25 billion reais, equivalent to approximately 800 million euros. On July 25, 2023, the Shareholders' Meeting of TIM Brasil Serviços e Participações S.A. resolved to increase the total amount of the bond by 750 million reais.

Following this increase, the bond has a total equivalent value of 5 billion reais, equivalent to approximately 950 million euros. The settlement took place on 31 July 2023.

The bond issue is aimed at distributing dividends from TIM Brasil Serviços e Participações S.A. to its parent companies and is part of the TIM Group's refinancing activities.

Payment of Interest on Equity

In July 2023, TIM S.A. paid Interest on Capital (IOC) related to the fiscal year ending on December 31, 2023 and approved on June 12, 2023 according to the following schedule:

Payment Date	Reais per share
12/07/2023	0,119795497

Note 28 - 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 & Participações S.A.	Rio de Janeiro	BRL	8.227.356.500	99,9999 0,0001		Telecom Italia Finance TIM S.p.A.
• TIM S.A.	Rio de Janeiro	BRL	13.477.890.508	66,5882 0,0005	66,5885	TIM Brasil Serviços & Participações S.A. 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.
TI Audit Compliance Latam S.A. (in liquidation)	Rio de Janeiro	BRL	1.500.000	69,9996 30,0004		TIM S.p.A. TIM Brasil Serviços & Participações 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 4 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 interim financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and that the management report includes an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Fabio Adducchio
Managing Director