


ITALTEL
2022 ANNUAL
FINANCIAL REPORT



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ITALTEL GROUP PROFILE

15 OPERATIONAL OFFICES IN 7 COUNTRIES

Italy: Milan, Rome, Palermo

Spain: Madrid, Barcelona, Ciudad Real, Seville

Germany: Munich, Dusseldorf

France: Paris

Peru: Lima

Brazil: São Paulo, Rio de Janeiro, Curitiba

Colombia: Bogota

Italtel is a multinational Information & Communication Technology Group operating in the design, development and implementation of innovative technology solutions for large companies and public bodies.

The Company works as an advanced system integrator that can integrate and manage technologies from different vendors and use its software development capabilities on key components of network infrastructure to create solutions that best suit its customers' business characteristics. R&D activities and the design of new solutions are carried out according to the principles of open innovation.

Italtel contributes to the digital transformation with distinctive expertise on key issues, including: Networking, Hybrid Cloud, Cybersecurity, Digital Workspace, Analytics & Automation, IoT. It ensures that skills are continuously created and updated through training and certification on the most significant ICT technologies, and through the Group's R&D activity.

The Group's engineering services range from design to network automation, from migration to interoperability between various technologies. "Managed" services are designed to sustainably, efficiently, and securely manage the IT infrastructure, services, and applications of operators, businesses, and the public sector.

The vertical markets to which Italtel offers its solutions and services are: Telco, Media & Cloud, Enterprise, Energy & Utilities, Banking & Insurance, Healthcare, and Central and Local Government.

The Company has built its own partner ecosystem and established relationships and collaborations with international technology vendors and cloud providers.

The Italtel Group's workforce as of December 31, 2022 totaled 1,392 staff, including 511 overseas. It has operating offices in Italy, Spain, Germany, France, Brazil, Peru, and Colombia





(Euro thousands)

	2022
Revenues	209,160
EBITDA before extraordinary items	11,100
EBITDA	8,716
EBIT	2,395
Profit/(loss) before taxes	(2,392)
Net Profit/(loss)	(5,985)

	2022
Shareholders' Equity	51,002
Total assets	226,048
Net working capital	40,322
Net Financial Position / (Cash)	(4,648)
Net Capital Employed	46,354

	2022
Number of employees	1,392
of which in Italy	881
of which abroad	511
Number of certifications	550

In this Directors' Report, in addition to the conventional financial indicators required by IFRS, a number of Alternative Performance Measures are provided for a better assessment of the Company's operating performance and financial position.

The alternative performance measures normally used are as follows:

EBITDA before extraordinary items

EBITDA

EBIT

Net working capital

Net capital employed



INFORMATION ON THE SHAREHOLDERS OF ITALTEL S.P.A. (FORMERLY NUOVO POLO IMPIANTISTICO S.P.A.)

Following the approval, by decree of the Court of Milan No. 10234/2021, Case No. 47652/2021 dated December 9, 2021, of the arrangement procedure of Italtel S.p.A. and in execution of the arrangement obligations, the Company's shareholding structure, resulting from the assumption of the entire corporate assets of the old Italtel by the Assuming company (formerly Nuovo Polo Impiantistico S.p.A.), is as follows:

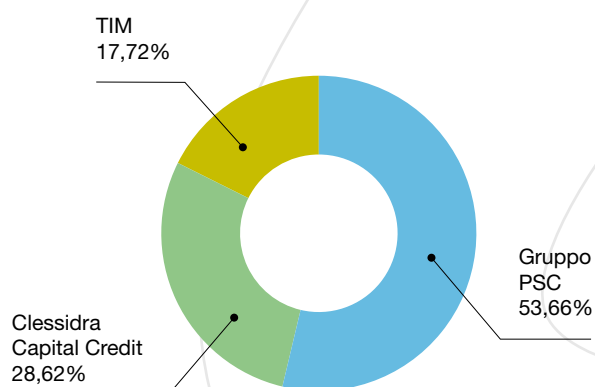
Share capital of Euro 5,674,752.28, divided as follows:

- 3,045,000 Ordinary Shares owned by Gruppo PSC S.p.A. (hereinafter also "PSC");
- 1,624,160 B shares owned by Clessidra Capital Credit SGR S.p.A. (hereinafter also "Clessidra");
- 1,005,596 A Shares owned by TIM S.p.A. (hereinafter also "TIM");

Gruppo PSC S.p.A.

It represents the majority shareholder of Italtel S.p.A. by virtue of a 53.66% holding, and also exercises management and coordination activities pursuant to Article 2497 and subsequent of the Civil Code with respect to its subsidiary Italtel S.p.A. Prior to the capital increases resulting from the approval of the arrangement procedure, it was the sole shareholder of Nuovo Polo Impiantistico S.p.A. (the Assuming company). PSC is held by:

- PSC Partecipazioni S.p.A., which owns 80.36% of the share capital;
- Fincantieri S.p.A., which owns 9.80% of the share capital;
- SIMEST S.p.A., which owns 9.64% of the share capital.



Clessidra Capital Credit SGR S.p.A.

The company holds a 28.62% equity interest; it acts as a manager of the FIA (alternative investment fund) Clessidra Restructuring Fund.

Clessidra was founded in 2003 with the aim of creating an asset management company operating in the highly professional Italian private equity market and dedicated to the domestic upper-middle market segment, becoming one of the leading private equity fund managers in Italy.

The company today is an independent platform operating in alternative investments (private credit and private equity) and factoring, able to offer a wide range of products and services for institutional investors and small and medium-sized Italian companies. The Clessidra Group operates through three companies with operational autonomy, Clessidra Capital Credit, Clessidra Private Equity, and Clessidra Factoring.

TIM S.p.A.

With a 17.72% holding, TIM is listed on the Euronext regulated market in Milan and is one of the leading telecommunications companies in Italy and also has a significant presence in South America, particularly in Brazil. The company provides landline and mobile telephone services and high-speed Internet and TV connectivity services. TIM is listed on both the Milan and New York stock exchanges (on the FTSE MIB index of the Italian Stock Exchange)



CORPORATE BOARDS

Board of Directors ⁽¹⁾

Chairperson ⁽²⁾

Claudio Roberto Calabi

Chief Executive Officer ⁽³⁾

Benedetto Di Salvo

Directors

Umberto Pesce ⁽⁴⁾

Federico Ciccone ⁽⁵⁾

Roberto Loiola ⁽⁶⁾

Marco Neri

Giuseppe Pirozzi ⁽⁷⁾

Federico Raffaele ⁽⁸⁾

Andrea Severini

Board of Statutory Auditors ⁽⁹⁾

Chairperson

Giuseppe Benini

Statutory Auditors

Christhian Gioco

Biancamaria Raganelli

Statutory Auditors

Camillo Catana Vallemanni

Wherther Montanari

Independent Audit Firm ⁽¹⁰⁾

Ernest & Young S.p.A.





- (1) Appointed by the Shareholders' Meeting of April 1, 2022, held at the same time as the completion, on the same date, of the Deed of Recognition for the transfer of the entirety of Italtel's corporate assets to the Assuming company, in execution of the arrangement obligations following approval of Italtel's arrangement procedure with creditors by the Court of Milan with Decree No. 10234/2021, Case No. 47652/2021 of December 9.
- (2) Appointed Director and Chairperson of the Board of Directors by the Shareholders' Meeting of April 1, 2022.
- (3) Appointed Chief Executive Officer through Board of Directors' resolution of April 1, 2022.
- (4) Appointed Director and Vice-Chairperson by the Shareholders' Meeting on April 1, 2022.
- (5) Director to be considered appointed by the Shareholders' Meeting of April 1, 2022, pursuant to Article 11.1.1 of the current By-Laws, following a unanimous vote of the B shares, also appointed (i) by the Board of Directors of April 29, 2022, as member of the Related Parties Committee and the Remuneration Committee and (ii) by the Board of Directors of February 16, 2023 as member of the Information Flow Committee.
- (6) Director appointed by the Board of Directors on April 29, 2022 as member and Chairperson of the Remuneration Committee.
- (7) Director appointed (i) by the Board of Directors on April 29, 2022 as member and Chairperson of the Related Parties Committee and (ii) by the Board of Directors on February 16, 2023 as member and Chairperson of the Information Flow Committee.
- (8) Director to be considered appointed by the Shareholders' Meeting of April 1, 2022, pursuant to Article 11.1.1 of the current By-Laws, following a unanimous vote of the A shares, also appointed (i) by the Board of Directors of April 29, 2022, as member of the Related Parties Committee and the Remuneration Committee and (ii) by the Board of Directors of February 16, 2023 as member of the Information Flow Committee.
- (9) Appointed by the Shareholders' Meeting of April 1, 2022, but with effectiveness initially subject to the appointment of the independent audit firm, which did not take place until later, at the Shareholders' Meeting of May 12, 2022 and which was then deferred to the approval of the financial statements at December 31, 2021 (which took place on June 30, 2022). The Board of Statutory Auditors is therefore in office from June 30, 2022. Its term of office is the three-year period 2022-2023-2024, until the approval of the financial statements at December 31, 2024, and it comprises Statutory Auditors Giuseppe Benini (Chairperson), Christian Gioco (to be understood as appointed pursuant to Article 12.1.3. of the By-Laws in effect with a unanimous vote of the B shares) and Biancamaria Raganelli (to be understood as appointed pursuant to Article 12.1.3. of the By-Laws in effect with a unanimous vote of the A shares) and Alternate Auditors Camillo Catana Vallemanni (with vote of the ordinary shares) and Wherther Montanari (with the vote of the A shares).
- (10) Appointed by the Shareholders' Meeting of June 12, 2022 for the 2022, 2023 and 2024 three-year period.





CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholders,

2022 was a new beginning for Italtel. On April 1, 2022 on the conclusion of the arrangement procedure, a new shareholding structure was established, by which the share capital is held by PSC S.p.A. for 53.66%, Clessidra Capital Credit SGR S.p.A. for 28.62% and TIM S.p.A. for the remaining 17.72%.

The new company, which was recapitalized by shareholders with Euro 56.3 million, including Euro 47.8 million in cash, has launched a revitalization plan along the lines of the business plan drawn up in July 2022.

Despite the year being a particularly complex one as a result of the Russian-Ukrainian war, the generalized increase in raw material costs, inflationary pressures, a shortage of electronic components, and the continuing crisis in the Telco sector - especially in Italy - the Italtel Group's results reflect a clear turnaround.

In the period April-December 2022, relating to the operation of the new Italtel, Group EBITDA was Euro 8.7 million (up about Euro 9 million on 2021) and Group revenues were Euro 209 million, a significant improvement on the previous year.

These results were particularly affected by the international market, which reported revenues of Euro 78 million and EBITDA exceeding Euro 8 million.

In 2022, the Company fulfilled its arrangement obligations by repaying its preferential creditors in full for Euro 31 million, and ending the year with a positive financial position at consolidated level of Euro 4.6 million and cash and cash equivalents of

Euro 33 million at Group level, of which approx. Euro 20 million was held in Italy.

Recent months have confirmed that Italtel's strength is the distinctive value of its expertise in supporting the evolving plans of major customers with whom it has multi-year agreements in Italy and abroad.

In line with its business plan, Italtel has developed significantly in the Enterprise and Public Administration market, reporting 18% growth year-on-year.

TIM - which faced a difficult general economic situation in 2022 and is launching a far-reaching transformation plan which includes the spin-off and divestment of network activities (NetCo) from services (ServCo) - continued to be Italtel's largest customer despite a year-on-year reduction in revenues. By contrast, there was growth in other customers for whom Italtel has been awarded major projects, often in the most innovative fields.

Design activities continued for ultra-broadband networks, in line with the contracts in the "white areas" of Open Fiber and with Fibercop. In the latter area, a new contract was also acquired for "gray areas", the design of which was put out to tender as part of National Recovery and Resilience Plan-funded initiatives.

On the international market, Italtel continued to



operate in six countries: Spain, Germany, France, Brazil, Peru and Colombia. A decision was made to continue investing in those foreign markets where Italtel has an established presence and development prospects thanks in part to the presence of global customers such as TIM, Telefonica, Orange, and Enel. Positive results on the international market were particularly driven by strong performances in Germany and Brazil.

As regards system integration activities, the Company accelerated diversification toward the highest-potential lines of offerings such as cybersecurity, the cloud, 5G/private networks, analytics/automation and professional services, investing on training and certification plans in Italy and abroad for a select number of market-leading vendors. The range of managed service offered was upgraded by strengthening digital operation centers in Milan, Seville, Ciudad Real and São Paulo.

The expertise of Italtel's R&D centers, which has historically been focused on the Telco market, was also brought to bear to accelerate development in the Enterprise market in Fintech and Digital Health. In 2022, the Company launched several funded research projects in cooperation with research institutes, academia and other leading companies in the international arena.

The Company participated in MUR calls for tenders to create Extended Partnerships under the Education and Research Mission of the National Recovery and Resilience Plan (NRRP), which seeks to fund research projects to strengthen national research supply chains and encourage their participation in European and global strategic value chains.

Among the most significant initiatives relating to cost streamlining and sustainability, of particular note is the move from the historical headquarters in Settimo Milanese to the new headquarters in Caldera Park, Milan. The use of hybrid working methods such as remote work and flexible hours continued as part of our focus on work-life balance.

A 37% overall reduction in energy consumption, equivalent to a decrease of approx. 1,500 metric

tons of CO₂, was planned and achieved in 2022. During the year, ISO 14064-1 certification was acquired relating to the measurement of the Italian offices' carbon footprint. This has made reporting of greenhouse gas emissions more complete and consistent, in preparation for future offsetting projects.

Italtel's efforts also continued in the areas of gender diversity and equal opportunity. Of the young people selected to join our UBB Academy in the two-year period 2021-2022, 46% were women, and there was a gender pay gap of zero for new hires. These achievements have allowed us to contribute to increasing the number of women in the overall corporate population and to reducing the gender pay gap which currently exists at the corporate level and which is affected by the general national context.

As regards industrial relations, in line with the business plan, the Company began constructive dialogue with the Social Partner to carry out the restructuring plan, which is essential to achieve a competitive and sustainable cost structure in Italy.

Following a discussion on the business plan, the Company signed an agreement with the labor unions for a business crisis Extraordinary Temporary Lay-off Scheme to support the recovery plan and in the interests of continuing business activity and safeguarding employment. The scheme will last until March 2023, and begin after the restructuring plan.

The results we achieved in 2022 mean that we can look towards the future challenges of the market with optimism. Come what may, we will never waver in our commitment to ensuring that Italtel takes full advantage of this moment of profound disruption and transformation, translating it into new value for our shareholders, our staff and our customers.

Benedetto Di Salvo
CEO Italtel S.p.A.





DIRECTORS' REPORT



2022 OVERVIEW

On December 9, 2021, the Court of Milan approved the arrangement procedure with creditors on a going-concern basis promoted by Italtel, ordering that the entirety of its assets be transferred to the Assuming Company, Nuovo Polo Impiantistico S.p.A.

On April 1, 2022, the Deed of Transfer ("Deed of Recognition") was executed, involving the assumption by Nuovo Polo Impiantistico S.p.A. of the entirety of the corporate assets of Italtel (Assumption).

The Assumption was effective as of the same date of April 1, 2022, the date on which the aforementioned assuming company changed its name to Italtel S.p.A. At the same time as the above deed was signed, a share capital increase of Euro 56.3 million was carried out, of which Euro 47.8 million was through capital increase payments and Euro 8.5 million through the conversion of receivables by the new shareholders Gruppo PSC, Clessidra and TIM. Following this transaction, the previous shareholders (Exprivia for 81% and Cisco for 19%), who had held share control since 2017, therefore exited the ownership structure.

With the Final Approval, Italtel S.p.A. assumed the obligation to fulfill the assigned arrangement requirements and will be obligated to fulfill the payments under the Plan, within the limits of the offer made to the creditors. As expected, payment was made to preferential creditors within 12 months of the court approval decree. Payments made in 2022 totaled approximately Euro 31 million. The first of three installments on unsecured loans for Euro 11.5 million is scheduled for payment in 2023, of which Euro 5.5 million was paid in March.

March 2022 saw the transfer of workers from Italtel's historic corporate headquarters in Settimo Milanese - Località Castelletto - Via Reiss Romoli - to the new headquarters in Milan, Via Caldera, No. 21.

THE NEW 2022-26 BUSINESS PLAN

In July 2022, the Board of Directors approved the new 2022-26 Business Plan. The new Business Plan is based on a new business strategy, a catalog redesign and R&D investments in the most innovative sectors, in order to boost the positioning of the Company as a digital transformation market leader. The Plan envisages a strengthening of the Company's offerings, balancing established lines with new, fast growing sector proposals.

Italtel's catalog is spread over 10 lines, divided into "Fast Growing" segments (Managed Services, Cybersecurity, Analytics & Automation, Hybrid Cloud, 5G, and IoT) and "Established" segments (Smart Networks, Digital Workplace, and Multimedia Networks). Another offer line is dedicated to the design of Ultrabroadband Networks (UBB Design).

The peculiarities of the "Fast Growing" offer lines, i.e., those with greater development and market growth potential, can be summarized as follows:

- **Advanced Managed Services:** managed services provided by Italtel to customers on-site and via Digital Operations Centers in Milan, Italy, in Ciudad Real, Spain, and in San Paolo, Brazil.
- **Cybersecurity:** a comprehensive set of technologies, processes and services to protect systems, infrastructures, applications and IT data, in terms of their availability, confidentiality and integrity.
- **Analytics & Automation:** advanced solutions for the monitoring and automated management of ICT infrastructures, enterprise and service provider IP networks, and processes and services in general, supporting operations by leveraging data correlation, network programmability and artificial intelligence.
- **Hybrid Cloud:** a set of solutions and services to enable the adoption of distributed infrastructures between customer data centers and the public cloud, with a particular focus on migration in multi-cloud scenarios.
- **5G:** development of an extremely varied set of solutions, services and applications, ranging from



Radio Access Network (RAN) components to core networks, transport networks and application solutions that can benefit from these infrastructures. An important role is played by OpenRAN technology, which is revolutionizing access to new generation mobile networks and opening up the market to new players.

- IoT (Internet of Things): development of smart, uniquely identifiable, sensor-enabled, internet-connected devices that can independently collect and communicate data. Particular areas of interest for Italtel are telemedicine, smart cities and smart sites.

The “Established” offer lines, i.e., those with an established presence on the market and in the Italtel catalog, have the following characteristics:

- Smart Networks: innovative optical and IP transport network solutions and services based on the Software Defined Network paradigm, and leveraged by the logic of Analytics and Automation. The offer includes solutions for service providers, public administrations and enterprises.
- Digital Workplace: solutions and services that enable company employees to collaborate better with each other, regardless of where they are physically located, guaranteeing the best possible interactions, and optimizing the use of spaces and work tools, with a view to sustainability.
- Multimedia Networks: solutions for enterprises, public administrations and service providers, with a focus on Business Communications and Virtual Transit solutions, based mainly on proprietary products, including Session Border Controller (Netmatch-S) and Centralized Routing & Policy System Engine (i-RPS).

UBB Design: services for the transition of access networks from copper to fiber, using certain radio frequencies to provide ultrabroadband, broadband and

Fixed-Wireless Access (FWA) services. This market opens up new opportunities, on various levels, for operators designing and developing new networks, applications and services.

To successfully support companies and public administrations in their digitalization journeys, Italtel offers to manage the entire ICT value chain, from infrastructural components right through to applications and services. In this context, a key role is played by the innovative technology investments the Company is making in the fields of Hybrid Cloud, IT Security, IoT, Analytics & Automation, and Collaboration.

Italtel has a clearly multinational dimension, supporting major international group customers and having established presences in Italy, Spain, France, Germany, Brazil, Peru, and Colombia.

The Company will continue to make investments in the Fiber To The Home (FTTH) and Public & Private 5G Design Center, in both Italy and abroad.

The Company's EBITDA growth is mainly driven by the development of the business through a focus on value-added services and cost structure optimization.



THE TELCO, MEDIA & CLOUD PROVIDER MARKET IN ITALY

TELCOS & CLOUD PROVIDERS

Despite its strategic value from a social, industrial and economic point of view, the telecommunications sector in Italy saw a downturn in turnover of over Euro 14 billion between 2010 and 2021 (-3.7% based on the annual average), according to a recent survey by Mediobanca (October 2022)*.

This drop-off was influenced by strong competitive pressures (also from over-the-top, or OTT, media providers), which, in Italy, caused the most marked contraction in telephone connection rates (-20.5%) compared to the -4.9% European average in the five-year period 2017-2021. A further supply chain criticality came from the increase in energy costs, which prompted operators to ask to be considered energy-intensive companies and therefore access related governmental measures.

Nonetheless, the stability of telecommunications networks during the pandemic was a decisive element in guaranteeing the continuity of work and teaching activities, through smart working, work from home (WFH) and distance learning.

In 2022, in this market context, Italtel reaffirmed its role as a major player in the telecommunications chain, its involvement in major ongoing projects, and the acquisition of new projects in partnership with major operators. In particular, it strengthened its role as a systems integrator for IP network development projects, which represent the backbone of networks and have seen significant growth. Despite the fall in revenues from the supply of IP networks, due to

increased pandemic demand and the silicon crisis, growth was seen in sales of proprietary software products, in connection with the technological development plans of customers.

Italtel's extensive experience in this market and its emerging technology investment strategy have driven the creation of a wide range of proprietary product solutions, professional services and best-of-breed technologies.

As for managed services, Italtel strengthened its offerings during the year with the launch of new services, and maintained its commitment to existing contracts, including a significant multi-vendor network and services technical support contract.

Other opportunities were seized in the field of cybersecurity, with the winning of important tenders, including one for a leading national operator.

The most important projects carried out by Italtel in 2022, in line with the transformation path set out in the Business Plan, include:

- Innovative Unified Communication Services, addressing the Italian Small Medium Enterprise (SME) market, delivered by apps developed by Italtel R&D, and supplied to a major national player.
- Wi-Fi Service Quality Monitoring and Control solution for homes, based on artificial intelligence algorithms developed by Italtel R&D, which predicts emerging service quality criticalities, and therefore helps cut the number of calls to the operator's Contact Center.
- A Cloud Security solution, developed in partnership with one of the major global cybersecurity players for a leading Italian telco customer.
- The first projects of the innovative FastShift solution, developed jointly with Microsoft and Cisco, enabling the transparent migration of customer applications to public and/or private clouds.
- Simplification and decommissioning projects for legacy technologies still in operation in telecommunications networks, which bring important economic advantages and cut energy costs.

THE MEDIA

Today, streaming platforms are the main tool used for watching movies, TV series, entertainment programs and sports at home or away, on portable devices. This is thanks to an ever richer catalog of differentiated and personalized contents, available at any time, anywhere and via any device, including smart TVs, decoders, personal computers, smartphones, tablets and video game consoles.

The development of an offer of this kind presupposes the availability of innovative tools and infrastructures that can guarantee the quality of the user experience. An essential condition is to offer a data network connection capable of guaranteeing a viewing quality equal to or better than that offered by traditional transmission means. New tools for orchestrating infrastructures, including Automation & Analytics, and new technologies, including Collaboration, Hybrid Cloud & Data Center, Cybersecurity and 5G, are key to preventing disruptions and guaranteeing customer satisfaction.

Activities targeting customers in this area concern mainly infrastructural issues to create network infrastructures capable of keeping up with the rapid changes in digital innovation and security needs, and of ensuring that streaming video, gaming and interactive and cloud service applications meet excellent performance standards.

A second targeted aspect concerns service optimization through end-to-end solutions integrating network design and architectures dedicated to the management and optimization of content, and especially video.

Lastly, Italtel provides both delivery and post-delivery services for the management and maintenance of technological infrastructure. Among the most important projects carried out by Italtel in 2022, in line with the transformation path set out in the Business Plan, was a solution for the management of the video streaming traffic of major OTT providers, which predicts emerging network

load and service quality criticalities, and suggests the most appropriate response actions.

UBB DESIGN MARKET IN ITALY

Ultrabroadband (UBB) communication infrastructures are a key enabling factor for the digital transformation and the competitiveness of the country system. Nationwide UBB access affects the quality of life of citizens and economic productivity, meets the needs of companies in terms of hybrid work and Enterprise 4.0 applications, is increasingly decisive for the modernization of public services and processes, training and telemedicine, and is a powerful tool for the acceleration of industry, social inclusion and environmental sustainability.

Through its UBB Network Engineering Centers, which, in 2022, boasted over 200 employees in Rome and Milan offices, Italtel offers Fiber To The Home (FTTH) infrastructure design services and nationwide end-to-end mobile and fixed-wireless access (FWA) networks. It also provides Cost-Benefit Analysis services for the development of Distributed Antenna System (DAS) infrastructures and private networks, Installation & Commissioning services, and Site Creation services for wireless, mobile and DAS

networks. This is complemented by its multi-vendor and multi-operator systems integrator capabilities, development and optimization of proprietary and third-party Mobile Edge Computing (MEC) solutions, and lifecycle management with after-sales support, Single Point of Contact (SPOC) and Technical Assistance Center (TAC) services.

To support the UBB roll-out in Italy, Italtel has set up a special UBB Academy, which has, in recent years, trained approximately 200 young people, on average between the ages 25 and 30, and of whom 46% are female.

In 2022, activities continued in the Engineering Centers dedicated to the main customers operating in this sector in Italy. These activities focused in particular on the design contract for "White Areas" (related to 2016 Infratel tenders), with the implementation, during the year, of over 500 fiber

ITALTEL IS THERE
WHEN THE PROBLEMS
OF COMPLEXITY
BECOME SOLUTIONS
THAT GROW
THE BUSINESS



path projects for 500 municipalities, and the design of over 400 FWA radio base stations for ultrabroadband access, for areas that cannot be reached by fiber optics. The December cumulative balance of the number of municipal projects completed since the beginning of the contract was 4680, corresponding to 99% of the global design plan. The fiber design will therefore be completed in the first few months of 2023, leaving the rest of the year and possibly part of 2024 to complete the design of the FWA stations, and, through adaptations, move forward with the 1600 open construction sites.

In the first half of 2022, the Design Center also continued with the contract acquired in 2021 with Fibercop, the latest extension of which raised the number of fiber

optic cabinets to be designed to a total value of more than 11,000 units. The last 3,300 cabinets included in the

contract were therefore designed in the same half-year, while work continued to obtain supplementary permits for open construction sites throughout the year, and is expected to continue in 2023.

However, 2022 was affected by a substantial suspension of investments and new planning activities by major operators, pending the outcome of Infratel tenders for "Gray Areas", particularly regarding 1 Giga Italy and 5G Italy planning. These tenders were awarded between May and June 2022, and related to tenders then issued by the operators to design companies. The slowdown in 2022 caused a substantial underutilization of design personnel, and a consequent wave of resignations, reducing the total workforce by approximately 30%.

Nonetheless, the UBB Academy continued to develop, in 2022, the skills of designers, enabling them to operate on the different network architectures used by Open Fiber and TIM, making each technician more versatile and adaptable to the evolving needs of the market.

Important positioning efforts were made during the year regarding 5G and FWA mobile radio design, with Italtel joining the Telecom Infra Project (TIP), a

consortium of vendors, operators and integrators developing 5G access network solutions, with a use-case-driven approach. Furthermore, Italtel underwent Vodafone Global's Open-RAN Systems Integrator pre-qualification for the RFI/RFQ scheduled in 2023.

ITALTEL IS THERE
WHEN TELCOS SEEK A PARTNER
CAPABLE OF COMMUNICATING
WITH THE FUTURE





PRIVATE & PUBLIC SECTOR MARKETS IN ITALY

BANKING & INSURANCE

The evolution of banking and insurance services towards a model in which remote relationships with customers prevail is now a reality. Internet and mobile banking have become the main means of accessing services by the general public. Banks and insurance companies need to guarantee customers security, quality and the usability of services. It is therefore strategic to invest in new technologies that can improve customer loyalty, while simultaneously reducing operating costs.

For example, customers must be guaranteed direct access, including via mobile devices, to a virtual branch, in order to carry out innovative operations. Furthermore, the bank's back-office is being transformed into a Virtual Workspace, powered by an intranet offering staff information and services that allow them to perform operations in the most efficient way possible and via remote work.

However, the adoption of innovative technologies in itself is not enough. The competitive advantage comes from the ability to coordinate technologies with organizations and processes, and bring together business, strategies and corporate culture.

By combining proprietary and best-of-breed technologies, Italtel provides sector companies with system integration projects and solutions for the transformation and development of their IP infrastructures from an SDWAN and SDAccess perspective, in addition to Multimedia Network and Digital Workspace solutions. It also offers Mobile Banking, Remote Expert and Customer Engagement solutions.

It supplies large banks and financial institutions with managed IT infrastructure and cybersecurity

services, ranging from Vulnerability Assessments to Penetration Tests, Security Compliance, and Risk Management process support.

Among the successes of 2022 was Italtel's advisory for a major international banking institution, involving the complete architectural review of its voice and collaboration system, the adoption of a cloud-based approach, and therefore the beginning of the process of migrating services to the cloud. Continuing in 2023, the transformation project will be carried out across various international offices. Forming the hub between the on-premises and cloud parts is Italtel's Multimedia Networks proprietary solution.

ENERGY, UTILITIES & TRANSPORTATION

The global market needs a new approach to the energy and utilities industry, driven by infrastructure transformed by clean, smart and interconnected technologies. The transportation sector, comprising both means and infrastructure, is undergoing a profound transformation driven by the green economy and new technologies. Factors include the obsolescence of systems, the emergence of 5G, IoT and Big Data technologies, the growing attention to sustainability and environmental issues, and the need to optimize the safety, security and efficiency of infrastructures. The ecological transition is so important that one of the lines of action of the National Recovery and Resilience Plan is entirely dedicated to it.

Smart electrical grids are an essential enabling factor for the energy transition that must be able to manage a new multiplicity of power generation systems, plants and flows.

Italtel has launched several projects with large multinational Italian utilities companies for the digitalization of their network infrastructures in view of the energy transition. This is in addition to the migration of their communication platforms to the cloud, based on proprietary Italtel products already used in the field by customers.

Furthermore, Italtel is continuing a range of advanced vertical IoT projects for utilities companies regarding such critical aspects as personal safety. For example, a leading electricity operator recently chose Italtel



to carry out an innovative IoT Geofencing Operator Safety pilot project, to protect the health and safety of its field operators against electrical risks. The adoption of new technologies also makes transport systems faster, more efficient and safer, while guaranteeing the safety and security of critical infrastructures such as roads, railways, bridges, viaducts, ports and airports.

In 2022, Italtel leveraged its own proprietary technology to upgrade the international calling node of a major integrated energy services company.

Italtel continues to confirm its role as primary supplier of products and services to global electricity operators through its ability to support them on both national and international markets, including Spain and Latin America in particular. Major projects in this regard include the assignment, together with other primary players in the ICT market, of a four-year System Management Framework Agreement to provide IT-TLC System Operations management services and supporting specialist Engineering Services. The former are continuous specialist support services for customers, while the latter are task-based professional services for the engineering of platforms during their development.

MANUFACTURING

Initiatives to relaunch manufacturing in large industrialized countries according to the Industry 4.0 or Intelligent Factory approach aim to improve the competitiveness of companies on international markets, allowing them to acquire and maintain leadership positions in areas with high added value.

Underpinning the Smart Factory approach is the ability to collect, process and synthesize large amounts of data, and find effective ways to leverage such data in decision-making processes. The foundation of every Industry 4.0 project is a convergent network that supports industrial automation, interconnects all machinery and production systems and guarantees the highest safety standards and smart, fast and precise monitoring of production lines.

Italtel supports companies in the manufacturing sector in transitioning to new Smart Factory management and production paradigms. Through its own proprietary solutions and the building of an ecosystem of partners, and together with its customers, Italtel develops the best path forward for a more effective use of technologies.

For the Industry 4.0 sector, Italtel has forged a technological partnership with MADE and its SME-targeted Digital Factory. Areas in which Italtel are making significant contributions to the digital and sustainable factory include smart monitoring, industrial process control, asset tracking, smart maintenance, logistics 4.0, industrial cybersecurity, and big data analytics.

Italtel has an important partnership with a player in the logistics and self-driving forklift sector, as an IoT, safety and security enabler and systems integrator for vehicles targeted in particular at major international food and beverages sector companies.

CENTRAL AND LOCAL PUBLIC ADMINISTRATIONS

Central and local public administrations are currently engaged in an important process of modernization and digitalization, in order to keep pace with the ever more rapidly changing world. The sizable funds made available by the National Recovery and Resilience Plan and Next Generation EU program present great opportunities for public administrations to develop projects and push forward plans to catch up with other European countries in terms of digitalization.

In this complex process, Italtel offers its extensive experience to public administrations in order to build and develop network infrastructures, services and applications for both citizens and businesses. It puts its solutions, technologies and best practices at the service of companies, consortia, partners and public entities committed to seeing through plans and seizing the available opportunities.

In 2022, partnerships with large public bodies continued positively with an increase in the



professional services component. This contributed to improving performance in terms of profitability and consolidated the market share in the segment.

Italtel is developing numerous projects for entities ranging from small municipalities to large public administrations, involving applications such as Smart Cities, Energy & Transportation, Hybrid Cloud, Security, ICT Services, IoT, and Collaboration.

Italtel is the ideal partner for central and local public administrations for the building and deployment of network infrastructures, the commissioning of unified communications and collaboration services, and the outsourcing of ICT services for the management of multi-technology infrastructures, security and network operations centers. It has also created dedicated solutions for energy management, environmental monitoring and mobility.

Among the most important local public administration projects carried out by Italtel in 2022 was one acquired through a tender for the modernization of the TLC infrastructure of a major trade fair organization. The proposed solution offered innovation in terms of both automation and the creation of new services, by leveraging the data made available by the infrastructure itself.

As part of investments under the National Recovery and Resilience Plan, in 2022 Italtel also contributed to laying out the foundations for a new Software-Defined Wide Area Network (SD-WAN) for an important state-owned company with over 12,000 offices spread throughout the country. This strategic infrastructure for the country will be built and deployed under a three-year development plan. In guiding public administrations on the road to innovation, Italtel is extremely proud of its role as an end-to-end systems integrator in design, installation and maintenance.

DIGITAL HEALTH AND TELEMEDICINE

The COVID-19 pandemic quickly brought home the importance of healthcare and of investing in the renewal and digitalization of the sector. Digital

innovation is the fundamental strategic lever for responding to the great challenges of today for a healthcare system in line with the needs and expectations of citizens, both in times of normalcy and even more so in exceptional situations. Digital services, particularly those made possible by IoT and 5G, improve patient satisfaction and relations, facilitate communications and access to health information and resources, and enhance service quality and efficiency.

In the field of digital healthcare, Italtel offers its expertise to public and private hospitals as a

Systems Integrator for the design of network infrastructures, communication services and security concerns, and for the management of unified communications and collaboration systems for healthcare personnel. Furthermore, it offers outsourcing services for the management of all IT aspects.

An example of these services are those signed under a five-year framework agreement in 2021 for multi-vendor unified voice data, collaboration, security and network operations center (NOC) infrastructure management services for public hospitals in Milan.

In the Telemedicine segment, Italtel has developed the DoctorLINK solution for doctor-patient and doctor-doctor communications and video consultations, offering Remote Medical Second Opinions and hospital-territorial continuity of care. The DoctorLINK solution has, for example, been adopted by a leading Swiss hospital.

Also in the area of Healthcare, another nationally important health body has signed up to the five-year framework agreement for multi-vendor unified voice data, collaboration, security and network operations center (NOC) infrastructure management services for public hospitals in Milan.

In 2022, Italtel embarked on a new partnership with an innovative start-up with strong clinical know-how in the collection, optimization and leveraging of health data. This gave rise to a new solution for the complete management of a patient's file, planning,

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FOR THOSE WHO KNOW
NETWORKS LIKE THE
BACK OF THEIR HAND



monitoring and patient involvement in clinical follow-ups, advanced statistical analyses, deep learning and dynamic AI processing of the collected data. The result is a better market positioning in the fields of public and private healthcare, welfare and university research.

INTERNATIONAL MARKETS

In Germany, Italtel Deutschland was confirmed by one of the main market operators as the reference partner for the integration of approximately 60% of the IP backbone using Cisco technology. Within the scope of the contract, Italtel assumed the responsibility for integrating, for the first time, Cisco technology in approximately 30% of the Mobile Back-Hauling network by 2024. Thanks to many years of experience as a systems integrator for this operator, Italtel has played a key role in the planning and network integration of Infinera technology in the context of Mobile Back-Hauling.

Among the significant results of the year was the completion of the services portfolio, with the building and management of an ecosystem of local partners

covering countrywide field activities, and the management of maintenance contracts with 24x7x4h service level agreements for as many as 35,000 devices by a virtual Italtel team composed of local resources (Service Managers and focal points), a Technical Assistance Center 2 in Spain,

and field services through local partners.

As part of the network application cloud migration strategy for a major telco customer in Germany, Italtel released a proof of concept of a cloud Routing Policy System (RPS) solution to demonstrate the potential of porting solutions to the cloud and providing value-added services in highly innovative contexts.

With the strategy of differentiating itself in the markets in which it operates, Italtel decided to join Breko, the largest German ultrabroadband association, bringing together over 430 members involved in the deployment of the technology in the country. The goal is to position the company in the field of FTTH infrastructure design over the coming years.

In France, following the introduction of regulations

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WHEN TECHNOLOGY
HELPS BUSINESSES
TO BECOME MORE
SUSTAINABLE



to combat caller ID spoofing using a STIR/SHAKEN protocol approach, Italtel France has positioned a solution based on a proprietary Routing Policy System (RPS) product with a leading internet service provider of digital services for medium-sized enterprises and local operators. The project will launch at the beginning of 2023 and will also provide for the development of specific software by Italtel R&D for the integration of the network solution into the customer's IT systems. The goal is to make this solution also available for the German and Spanish markets.

In addition, a demand for private network 4G/5G radio solutions has been identified among enterprise customers. In this context, a customer in the transport sector asked Italtel France for assistance with the engineering and implementation of a proof of concept for a Wi-Fi mesh solution.

Finally, despite the prevailing difficulties in the telecommunications market, Italtel France upheld solid relationships with its customers, supporting them in the development of their voice networks.

In Spain, despite a complex macroeconomic scenario and major consolidation operations in the ICT sector, Italtel SA upheld its performance, with 63.9% of revenues coming from the Service Providers market, 28.8% from the LE&PS market and 7.3% from sales to Italtel Group companies in Europe and Latin America. Managed Services continue to be the leading business item (accounting for 38%), followed by IP Networks (25%), Multimedia Networks (25%), and Collaboration, Cloud, Analytics & Automation (12%).

Customer demand in the Service Providers market remains high, thanks to the Company's expertise in systems integration and its ability to provide Managed Services through Digital Service Centers in Ciudad Real and Seville, which also target Local Operators & FiberCos. In the Large Enterprise market, the relationship with the leading Spanish energy supplier and our strategic customer was consolidated.

The market strategy is to integrate telco expertise with strategic consulting, IT applications and Analytics & Automation delivered according to a

managed approach, and to strengthen partnerships with the main market players, all with a view to expanding in the large enterprise market over the coming years.

Among the most significant results in 2022 were the awarding of Open Network tenders, the extension of the Advance Operations project, the assignment of a Database & Web Logic migration project for Oracle Cloud OCI, and several Contact Center, Cloud and Network Automation projects for the leading Spanish telco group. Other important results were achieved in the Enterprise market with the awarding of a Network Monitoring project by a large multinational group.

In Brazil, consolidation and differentiation activities continued through advanced professional products and services for the Service Provider and Enterprise & Cybersecurity markets. Particularly positive results were achieved in the Service Provider market regarding the IP, Optical and Network Automation segments, thanks to the solid positioning of Italtel Brazil as a strategic supplier to one of Brazil's major service providers. In 2023, this positioning will be further consolidated through the participation in new tenders for innovations such as 5G technology, where important investments are expected over the coming years.

Approximately 50% of turnover in 2022 came from Enterprise & Cybersecurity, thanks to the acquisition of new customers, particularly in the Data Center and Cybersecurity segments. The sector's digitalization process is bringing a strong boost to the market, and, in 2023, Italtel plans to consolidate its position as Cisco technology systems integrator and expand its presence in the market through commercial agreements with other vendors, particularly in the field of cybersecurity.

New customers acquired during the year include a well-known automotive brand in the Enterprise segment, while, in the Service Provider segment, a significant business development was made with a major internet provider and Mexican telephony operator.

In Peru, 2022 saw political and economic instability that lasted throughout the year. In order to mitigate the effects of this situation, Italtel Peru adopted



various measures to improve operational and financial efficiency.

From a strategic and business development point of view, in 2022, vendor diversification was carried forward, with the signing of further important technology partners, such as Oracle, VMware, HP and others, in addition to Cisco. This led to a growth in turnover in both the private and the public sectors, mainly attributable to the systems integration of complex ICT technology solutions.

In 2022, the most significant new projects were in the Banking & Finance, Government and Retail sectors.

The composition of new orders was 25% relating to Managed Services and local services, 30% to Cisco technology solutions, and the remaining 45% to solutions based on other technologies.

2022 was a critical year for Italtel Colombia, which had to manage a series of complex factors, including a workforce reduction, the development of operational synergies with the Italtel Peru team, the establishment of the new company Nueva Italtel Colombia, and the reconstruction of the work team, in remote work mode. All of these elements led Italtel Colombia to a negative result, although the foundations were laid to do much better next year.

The most important markets continued to be Banking & Finance, Energy and Telecommunications, in which Italtel Colombia has various large multinational customers. 70% of the new orders related to Cisco technology based solutions, while the remaining share related to solutions based on products from other technology vendors.

**ITALTEL IS THERE
WHEN THE SOLUTIONS
OF ITALIAN TECHNOLOGY
ARE EXPORTED
ACROSS THE WORLD**



OFFER DEVELOPMENT AND POSITIONING: SOLUTIONS, SERVICES AND PRODUCTS

On the Information & Communications Technology market, Italtel offers a wide range of solutions and services based on the offer lines envisaged in its Business Plan. The offer lines are grouped into “Established” lines and “Fast Growing” lines, with a focus on solutions and services with higher margins. The transformation of offer lines into solutions and services requires: analyses of standard offers, the identification of the customer’s business needs, and the design of the most suitable solution to meet those needs. This must be followed up by the implementation and monitoring of the solution with continuous data collection, to verify the benefits for the customer over time and develop subsequent improvements.

Solutions are created with both proprietary and third-party products, and completed by high value added professional services, such as Managed Services. Having multiple offer lines allows a multi-domain approach to developing advanced solutions and services for the Group’s reference markets.

OUR SOLUTIONS

Italtel offers the most suitable and innovative solutions and services to enable the digital transformations of its customers, putting their needs at the center of each project, in order to give a boost to their competitiveness on the market, through the use of ideal tools for business growth and development.

Thanks to its strong expertise in systems integration and development, across multiple technological lines and with multiple vendors, Italtel is positioned on the market as a value-added Systems Integrator, capable of fully leveraging the programmable networks paradigm. This makes it possible to provide customers with tailor-made solutions and services, adapting and completing technological partner solutions with suitable products, developments and on-top applications, in order to address specific needs.

The majority of the solutions developed by Italtel are also available as managed services, provided through Digital Operations Centers in Milan, Italy, in Ciudad Real, Spain, and in San Paolo, Brazil. To offer these services, Italtel also makes use of solutions and tools developed by the main market leaders, and customized open source tools and proprietary software.

CYBERSECURITY

In the prevailing global macroeconomic context, cybersecurity is a top priority for each and every company. Protecting data, assets, networks and services from risks and threats is fundamental for guaranteeing business continuity and growth during any digital transformation. The rise in corporate network connected mobile devices and industrial systems, the acceleration of the migration of assets and services to the cloud and the introduction of hybrid working models are amplifying the surface of exposure to cyber attacks. All this makes the risk management process increasingly complex.

Alongside technological solutions, in order to adopt an effective cybersecurity strategy capable of countering the risks of malware, data breaches, ransomware, phishing, DDoS attacks, social engineering and VoIP telephony spoofing, it is necessary to establish an effective security policy that integrates methodological approaches, appropriate standards and the support of specialist partners. For this reason, Italtel has entered into a number of partnerships with the leading security solution vendors.

Italtel offers end-to-end solutions through its teams of highly qualified professionals and experts,





certified in the most advanced technologies and methodologies, covering, in particular, the following areas: Network Infrastructure Security, Access Control, Cloud Security, 5G Security, IoT & Medical Device Security, and VoIP Security. The Italtel Cybersecurity Center of Excellence offers the following professional services: Network Security Assessment & Advisory for IT and OT, Penetration Testing, and Vulnerability Assessment. Furthermore, through its Digital Operations Centers, Italtel provides managed services for Monitoring, Vulnerability Management, Remediation, Security Bulletin Services, and Detection.

ANALYTICS AND AUTOMATION

Good data on the performance of ICT solutions, network infrastructures and business support applications is fundamental for understanding how these resources are used and whether the right choices have been made to guarantee their operational efficiency. Furthermore, adequate and constant monitoring of the resources allows immediate actions to be taken to remedy faults and plan interventions in appropriate time windows, accompanying the growth in traffic volumes and the adoption of new services.

In addition to adopting Analytics solutions, it is essential for telcos, large companies and public administrations to integrate automation to drastically cut the implementation times of new services and human errors in manual tasks.

The combination of Analytics and Automation in programmable networks allows networks to be adapted to actual needs beyond performance or service quality thresholds.

The solutions proposed by Italtel in this area are built using the proprietary Analytics & Automation Intelligent Open Platform, integrated with third-party solutions and suitably customized open source products.

ITALTEL IS THERE WHEN THE CRITICAL POINTS OF A NETWORK BECOME STRENGTHS

The Italtel offer makes it possible to manage Smart Operations processes, with the integration of Artificial Intelligence features and effective communications models, such as AIOps and ChatOps, in support of operations.

HYBRID CLOUD

The need to rapidly adopt new IT services to keep pace with the market, while reining in infrastructure investments, has led companies and public administrations to consider the gradual migration of infrastructures and services to the public cloud. This approach has led to the development of hybrid scenarios, with applications increasingly distributed between private and public clouds yet having to communicate efficiently with each other and be managed in an integrated manner.

To define a suitable cloud adoption strategy, public and private organizations need, first of all, a consultative approach to fully understand their level of digital maturity, since a cloud migration process demands careful planning and design to meet the needs being addressed.

Italtel guarantees a wide range of expertise, knowledge and skills gained in the creation of its cloud native products with devops methods and tried and tested deployments in private and cloud ready environments.

Italtel's Hybrid Cloud offer is based on solutions and services covering two main scenarios:

- Re-inventing the data center: designing the next iteration of the private data center from a perspective of automation and management tools for hybrid cloud environments and smart operations.
- Embracing multi-cloud: designing the migration of applications to the cloud, and guaranteeing interoperability between public and private clouds, according to a Cloud Maturity Model approach.

To address these scenarios, Italtel has developed partnerships with leading cloud providers and infrastructure suppliers.

To facilitate and accelerate the adoption of the cloud, Italtel, in partnership with Microsoft and Cisco,





has created the Fast Shift solution that allows the migration of applications to the Azure Cloud without any network constraints. The solution leverages Italtel proprietary developments that guarantee redundancy and the automated configuration of the solution.

5G

5G networks guarantee great reliability, operational continuity and high-speed, low latency communications. Through so-called slicing, they also allow portions of the network to be dedicated to specific applications and contexts. This enables innovative scenarios, such as remote surgery and autonomous driving, and new business models that redesign or extend existing applications through virtualization and cloud technologies, offering the ability to operate in environments and situations with a high density of simultaneously active devices.

In the 5G area, Italtel offers an extremely varied set of technologies, services and applications, ranging from mobile to fixed network infrastructures, radio access network components, core networks, transport networks and application solutions, supported by a rich ecosystem of partners.

In particular, the Italtel offer includes: advisory services, systems integration, development and maintenance services

on access networks
for radio components,
with a focus on ORAN
architectures, Data
Centers and Edge
Computing, transport
networks (X-Hauling and
Back-Hauling), Mobile
Core and Voice over New

Radio, professional services regarding Private Mobile Networks, both directly to companies and through service providers, and services and development of tools to support the automation and operation layer, essential for governing the complexity of 5G networks.

Italtel offers services to Service Providers on 5G access networks, on a national scale, and on Mobile Core and Voice over New Radio (VoNR) networks. In the OpenRAN (Open Radio Access Network) area,

Italtel participates as a systems integrator in the TIM Group development of OpenRAN solutions on its mobile network.

INTERNET OF THINGS

The Internet of Things (IoT) describes the interconnection, via the internet, of objects, devices and sensors that can collect and communicate data across networks. Particular areas of interest in this field for Italtel are telemedicine, smart cities, smart sites and private and public infrastructure monitoring.

To create end-to-end solutions for such different contexts, Italtel works closely with an ecosystem of suppliers and partners, with specializations ranging from devices and sensors to IoT gateways, secure connectivity, data collection and aggregation platforms, applications and industrial processes.

In the Industry 4.0 field, Italtel offers solutions for monitoring and optimizing production and logistics processes, from industrial production control through to the tracking of valuable assets, personnel safety and maintenance processes. Italtel has launched a rewarding technological partnership with MADE and its Digital Factory dedicated to SMEs. Areas in which Italtel makes concrete contributions to the digital and sustainable factory include smart monitoring and

control of industrial processes, smart maintenance, logistics 4.0, industrial cybersecurity, and big data analytics.

In the Smart Sites and Smart Infrastructures field, Italtel designs solutions for the monitoring of the sites and technological infrastructures of telecommunications operators, companies and organizations providing

services to citizens, covering such applications as mobile radio antenna pilings, smart locks, and so on. Furthermore, for critical public interest infrastructures, such as viaducts, bridges and buildings, whose conditions and stability is of crucial importance, Italtel offers ad hoc solutions for monitoring operating conditions and managing alarms in the event of anomalous circumstances.

In the digital healthcare field, Italtel solutions guarantee remote communications, including via

ITALTEL IS THERE WHEN SME'S CAN ALSO BENEFIT FROM THE BEST TECHNOLOGICAL SOLUTIONS





video, between patients and healthcare facilities, with the reading of vitals via wearable sensors, telemonitoring, and teleconsultation.

SMART NETWORKS

The proliferation of IP traffic, applications, mobile devices, new hybrid work and leisure models, multi-cloud services and IoT and 5G applications demonstrates just how much IP networks are at the center of the digital transformation of telco providers, large companies and public administrations. Increasingly open and programmable networks have simplified the adoption of Analytics & Automation solutions that make networks flexible and adaptable to continuous changes, and have significantly improved operations.

Italtel has always been committed to creating secure, reliable network infrastructures for telco operators and large public and private companies, and works in close partnership with market leaders across all technological domains.

The offer is divided up into various solutions: fixed network architectures for service providers, according to the access, aggregation and core model; and architecture solutions for companies through local area network (LAN), wireless LAN, wide area network (WAN) and, increasingly, Software Defined WAN (SD-WAN) solutions.

Italtel builds innovative networks according to the logic of Intent Based Networking, deploying solutions and developing applications that allow for automated, end-to-end and vendor-agnostic configuration and management.

DIGITAL WORKPLACE

Rethinking work spaces and methods is one of the main challenges for ICT and Facility teams managing day-to-day resources for a mix of on-site and remote workers. The main goal is to allow all the employees of a company to collaborate better with each other through the digital tools at their disposal, from

workstations through to videoconferencing rooms, and to prepare a work environment that guarantees adequate spaces and services.

Workplace optimization and collaboration solutions are essential elements in this new hybrid working paradigm, which enables the achievement of corporate productivity and sustainability goals, and savings in terms of real estate, operating costs, electricity, heat, air conditioning, and so on. Companies that invest in smart, convenient and comfortable workplaces are more competitive on the market, as they manage to improve the work-life balance and therefore the morale, motivation and corporate culture of their employees.

Thanks to its systems integration and development capabilities, Italtel offers the most suitable solutions for different needs by defining the right mix between on-premises, cloud and hybrid solutions, leveraging its experience in Collaboration and Customer Engagement.

With the introduction of automation and orchestration logic, Italtel helps companies enact frequent changes on the various systems necessary for business, facilitating them in the dynamic management of workspaces, shared tools and standard and ad hoc services.

ITALTEL IS THERE WHEN TELEMEDICINE IS A FRIEND TO DOCTORS AND PATIENTS

Italtel Digital Workplace solutions include:
Cloud Calling; Voice
Interworking; Cloud
Meeting; Meeting
Interworking; Remote
Training; Smart

Operations; Remote Expert; Home Working; Room
Booking; Analytics.

Through its Digital Operations Centers, Italtel also provides fully managed solutions, allowing customer employees to contact Italtel directly and resolve faults or disservices, without needing to involve the customer's ICT team.

OUR SERVICES

It is increasingly difficult for companies and service providers to plan the evolution of their networks and IT systems, improve operational efficiency, and gain





a competitive advantage. Equally challenging are the goals of cutting the time-to-market of new services and improving customer experience. Finally, there are the commitments to reduce environmental impacts that need to be respected.

To manage this complex scenario, Italtel offers its services as a vendor technology agnostic consultant, able to guide strategic choices and facilitate the start of engineering, deployment, management and maintenance of solutions and services.

For Italtel, professional services are the natural link between the sale of a solution, its commissioning and subsequent support, throughout its life cycle. Italtel services include software development, making it possible to provide customers with solutions that are fully customized and integrated into the systems already in place.

In addition to high value-added professional services, Italtel offers a vast catalog of managed services to support ICT teams at telcos, companies and public administrations in the management of network infrastructures and services.

ADVANCED MANAGED SERVICES

Managed and outsourced services are becoming the preferred method of accessing ICT services by a growing number of companies, allowing them to concentrate on business development.

Among factors that drive companies to choose a managed option for their infrastructures and services, there is the growing need to quickly deploy effective technologies to support their businesses. At the same time, it is also essential to address the need to reduce spending on technological infrastructures and their management.

Italtel's Advanced Managed services are provided by around 200 specialists working in teams and guaranteeing 24/7 support via a network of Digital Operations Centers based in Milan, Italy, in Ciudad Real, Spain, and in São Paulo, Brazil. Italtel managed

services are designed to manage the multi-vendor infrastructures, services and IT applications of telco operators, companies and public administrations in a sustainable, efficient, and secure manner.

The services are provided using tools from the very best market vendors, enhanced by Italtel's software developments for maximum customization to specific customer needs. Italtel's Advanced Managed Services cover four fundamental digital transformation areas: cybersecurity; infrastructure and service monitoring; end to end operations; and complete management of business support platforms, including collaboration solutions in hybrid scenarios, with workers on and off site.

The services include recursive engineering advisory for analyzing the performance of infrastructures and applications, pro-actively planning adjustments, and anticipating faults.

Italtel has numerous active contracts with large customers in central public administrations, banking, healthcare and the telco market, for outsourcing the management of IT infrastructures, services and applications. The services are provided by specialist teams, who can operate at customer sites when needed.

NETWORK TRANSFORMATION

The acceleration driven by the data economy and hyper-connection, the growth in on-demand streaming and video communication systems for

hybrid work and the resulting greater demand for available bandwidth are all factors that demand the transformation of infrastructure and services to an all-IP scenario.

Dealing with complex network and service migration projects in multi-technological contexts

is a challenge that service providers and companies generally choose to undertake only with the support of partners they can trust with the management of the complexities and the decision-making process.

The risk in this scenario is having to maintain outdated technologies, and therefore not benefiting

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WHEN TO GET THE BEST
SOLUTION
THE BEST SOLUTIONS
ARE PUT TOGETHER





from reductions in maintenance and energy costs, a smaller equipment footprint and the simplification of a network featuring the stratification of various technologies.

Italtel puts at the service of its customers in their transformation projects its extensive experience as a systems integrator, developer of software to complement solutions, and supplier of advanced services.

Italtel has active projects in this area for large telco, enterprise and central public administration customers. Italtel also offers advanced professional infrastructure and big data Automation & Analytics services.

Customers benefit from a structured team of experts, with extensive knowledge of the specific technical and business needs. These experts accompany the customers throughout the different phases of migrating the network, users and services to the all-IP paradigm: conceptualization, planning, design, deployment, automation, and optimization.

ADVISORY SERVICES

In strategic decisions addressing the development of networks and IT systems, service providers and companies turn to independent partners with proven field expertise. Italtel provides technology advisory services as an independent consultant, bringing customers advantages such as reduced time-to-market for the launch of new services, and simpler interoperability between technologies from different vendors. Its knowledge of networks and interoperability between services is based on many years of multi-vendor experience with numerous international customers, bringing the benefits of reduced costs in identifying new and suitable technologies.

Starting from an assessment to clarify the field situation and accurately interpret business needs, Italtel supports its customers in choosing the most appropriate tools on the market, and in designing complete and coherent solutions.

Italtel helps its customers grasp the value of potential initiatives and put together business plans that demonstrate returns on investment (ROI). It

helps accelerate the understanding and adoption of technologies by outlining and modeling user experiences.

Italtel helps customers define their strategy and plan their steps to enact it.

DESIGN SERVICES

ICT networks and solutions consist of a variety of elements from different technology vendors. Selecting a technology or platform is only the first step to activating a service. More often than not, to create a solution with unique characteristics that perfectly adhere to the customer's needs, a mix of market technologies and ad hoc customizations is needed.

This is what Italtel does when it helps its customers design, integrate and deploy complete solutions, based on the best available technologies, offered by different vendors.

Having designed and developed some of the most innovative telecommunications solutions in the world gives Italtel the ability to offer high-quality services in the design of networks and IT solutions, supported by unique know-how in combining technologies and managing risks.

Italtel engineers work closely with customers to understand and respond to all of their business needs. The quality of design lies in an ability to balance technical performance with the customer's effective budget.

INFRASTRUCTURE CREATION & DEPLOYMENT

The rapid evolution of ICT equipment, in terms of size, performance, ever-increasing computing and energy reduction demands, in view of sustainability, make it essential to design new technological infrastructures with extreme care, and to adapt existing ones to meet the evolving needs of adequacy, security and stability.

Italtel offers a set of modular, flexible, high quality deployment services to build, expand and modernize any multi-technology network or IT infrastructure,





supported by a team of professionals and specialists.

In emerging markets, the challenge is more often that of scalability, while in more mature sectors, the main goals tend to be efficiency and eco-compatibility.

Italtel meets its customers' cost reduction and quick and efficient installation needs. It proposes optimized processes for creating infrastructures, leveraging economies of scale and maximizing performance and energy efficiency, in response to the goals of sustainability and cutting operating expenses. These optimized designs improve flexibility and slash time to market.

CYBERSECURITY

In recent years, the number and extent of security incidents and cyber attacks have risen exponentially and cybersecurity has assumed a strategic importance across public and private economic sectors.

The Italtel Cybersecurity Center of Excellence offers the following professional services: Network Security Assessment & Advisory for IT and OT, Penetration Testing, and Vulnerability Assessment. Furthermore, through Digital Operations Centers, Italtel provides managed services for Monitoring, Vulnerability Management, Remediation, Security Bulletin Services, and Detection.

ITALTEL IS THERE
WHEN THE ENERGY
TRANSITION
SPEEDS UP THANKS
TO ICT SOLUTIONS

OUR PRODUCTS

The salient features in the evolution of products and frameworks developed in-house are traceable back to the principles of the current Business Plan, articulated in diverse aspects such as cloud portability, security and privacy by design, the focus on diversification with respect to telcos, the expansion of the customer base, and partnerships in development phases with other companies of the various target industrial sectors.

Products and frameworks are typically conveyed to the market in association with Italtel's professional services and included in complex solutions that

respond to specific customer needs.

The following descriptions outline Italtel's main offer lines and product/framework development.

MULTIMEDIA NETWORK OFFER LINE

i-RPS Product - Centralized Signaling & Routing Policy System

The specificity of this product and its versatility in addressing the needs of customers in Enterprise and Service Provider segments form the basis of its evolution.

2022 was dedicated to developing its functionality and cloud portability, and saw the deployment of

a pre-validation of the product on a hyperscaler by an important global player. The expected success will confirm the product's leading market positioning.

Among its more novel elements is the development of STIR/SHAKEN features for the management of network caller ID authentication and certification policies, which sees Italtel as the only

European vendor ready on the market in the face of robust US competition.

Success in deploying this product in Enterprise and Public Sector solutions for large companies was again confirmed in 2022. As was it in the Service Provider sector, applied to complex business solutions demanding interoperability between different communications services cloud platforms and overlapping multiple services. This is where i-RPS is key to simplifying the management of services to such customers and enabling specific use cases, such as in association with the Digital Workspace offer line.

i-MCS & i-TDS Products - IP Multimedia Subsystem (IMS) Functionalities

With a stable outlook for IP multimedia subsystem (IMS) functionalities, including Control Layer, Voice App Layer and Home Subscriber Servers, and the stability of customer choices, the decisions taken

at the Business Plan level define the evolution for this line of products primarily on a design basis, by leveraging developed assets and their portability in network functions virtualization (NFV) environments.

In this direction, 2022 saw the development of a very important project regarding network services to micro-business users, providing classic telephony services while paving the way for innovative services based on WebRTC (web real-time communications) and web technologies in general.

Again, the proximity to services for business customers is evident.

i-NEM Product - Management Layer

Italtel has always responded to demand in the Management Layer segment through its proprietary Neutral Element Manager (i-NEM). It therefore has the necessary background to contribute progressively to the automation of this network layer, in connection with the other elements of the network (acting as a single point of access) and external systems (acting as a unified decoupling layer).

The improvement of instruments and tools, which are not always necessarily complex, is a further common thread that runs through the daily activities of Operations and Managed Services. This improvement involves iterative tuning work, closely related to specific networks, to simplify and speed up day-to-day operations, network fault detection, and related troubleshooting.

In this context, the development of the iNEM product follows the evolution of a sequence of projects dedicated to specific contexts and use cases, paying special attention to the re-applicability of individual components, experiences and software assets. The i-NEM product feeds into the AiOP framework (see below) and symmetrically, where envisaged, can host AiOP as its own Analytics module, in an integrated user experience.

**ITALTEL IS THERE
WHEN 5G, IN ADDITION
TO OPENING UP NEW
TECHNOLOGICAL SCENARIOS,
OPENS THE WAY FOR
NEW BUSINESS MODELS**

DIGITAL WORKSPACE OFFER LINE

NetMatch Product – Session Border Controller

The Netmatch-S Cloud Inside product has completed its transformation to native cloud architectures, and boasts deployments on the major Hyperscalers, enabling the SaaS approach.

Again in 2022, the NetMatch certification activity continued, certifying interoperability with the main communications services cloud platforms, and, first of all, Microsoft Teams, across various scenarios, enabling new market proposals for complex Digital Workspace solutions, and justifying its placement in this offer line as a center of attraction, rather than a standalone.

Not to be overlooked in this area of interoperability between systems was, in 2022, the use of the core of our Italtel Embrace platform as a gateway between Session Initiation Protocol (SIP)-based voice networks and web real-time communications (WebRTC)-based applications.

The combination of all of these components, together with the use of the i-RPS product in certain scenarios, has made it possible to successfully design and deploy articulated Business Communications solutions for large companies and service providers, often geographically spread out or operating internationally. These successful experiences confirm the plan to re-propose this solution to further customers in 2023.

ANALYTICS & AUTOMATION OFFER LINE

AiOP Framework

In 2022, companies continued to show great interest in Analytics as they sought to automate processes to ensure efficiency, reduce operating costs at infrastructure, applications and services levels, and optimize workflows, maintenance and security.

The iAiOP framework offers a solution capable of



processing, structuring and analyzing data from the most varied network devices, applications, infrastructures and databases. The data can be of various types, whether structured, semi-structured or de-structured, and processing can be exposed in the form of dashboards and APIs usable by external systems.

2022 saw the definition of the architecture and re-engineering of software assets developed in previous years for customer solutions. The new architecture is cloud native, designed for any deployment environment, highly scalable, flexible and can be integrated with any type of existing infrastructure or application.

The Analytics platform stands out for its Long-Term and Predictive analysis features, and monitoring of the health status of unified communications networks and equipment. It also allows for close integration with company processes through ChatOps and AIOps models.

IOT OFFER LINE

IoXpert Platform - IoT

Sustained growth is expected in the IoT market over the next decade, but will vary according to different market segments and a highly fragmented competitive scenario.

In 2022, the development of the platform led to the enrichment of detailed aspects of use cases and the introduction of several Smart Site projects. One particularly important Smart Cities project came to fruition during the year, considerably expanding the portfolio of reusable assets.

Five vertical applications are now offered: Smart Cities, Smart Sites, Industrial IoT, Smart Tracking, and Large Infrastructure Health Monitoring.

On the basis of these assets, Italtel is able to provide a wide range of professional services, from advisory through to the development of delivery projects. These can cover various aspects, such as the deployment of the local IP network, customizations

between sensors and graphical representations of the various quantities, interfaces for management systems, the ability to process data sources from production lines or company information systems, and integrations to improve efficiency and cut

response times to issues of various kinds.

DoctorLINK Product - Telemedicine

The Telemedicine market underwent an incredible expansion in 2022, receiving a boost from

the National Recovery and Resilience Plan and new legislation regulating the exit phenomenon.

Italtel continued with the certification process that began in 2022 and the creation of new use cases, expanding the range of services offered. Furthermore, new Class II biomedical sensors, which are simple enough for non-hospital outpatient and autonomous patient use, were integrated.

Extremely important for the development of business in this area was the definition of a strategic agreement with a company specialized in the sector, having its own assets complementary to the DoctorLINK product, and extensive knowledge of the market.

ITALTEL IS THERE
WHEN ALL EMPLOYEES
OF A COMPANY
COOPERATE WITH EACH OTHER
WHEREVER THEY ARE



RESEARCH, DEVELOPMENT AND INNOVATION

RESEARCH, DEVELOPMENT AND INNOVATION PROJECTS FUNDED

2022 saw the resumption of all funded research, development and innovation activities. The new corporate structure enabled participation in new calls for proposals consistent with the guidelines of the Business Plan, which were also made possible by Italtel's presence in Italian and European Research and Innovation ecosystems. Work was also carried out on the administrative and institutional front to begin and complete the procedures for transferring ownership of the benefits - which are granted for research, development and innovation projects - to the new company.

In 2022, Italtel was awarded three new R&D&I projects funded by the European Commission and two new R&D&I projects funded by the Ministry of University and Research.

In Europe, the new project NANCY (An Artificial Intelligent Aided Unified Network for Secure Beyond 5G Long Term Evolution), coordinated by the University of Western Macedonia under the HORIZON-JU-SNS-2022 call, seeks to introduce intelligent network resource management, flexible networking and appropriate orchestration levels, making use of Blockchain and Artificial Intelligence technologies.

In the European call "HORIZON-KDT-JU-2021-2-RIA," co-funded by the EC and MUR, the new CLEVER (Collaborative edge cLOUD continuum and Embedded AI for a Visionary industry of the future) project, coordinated by the Scuola Superiore S. Anna of Pisa, works with edge continuum and Artificial Intelligence technologies, where Italtel is positioning itself to contribute to the digitalization of industrial

and production processes.

Finally, the European project ReCircleMan, which is funded by EIT Manufacturing, seeks to accelerate the manufacturing process transition by promoting the adoption of sustainable approaches through innovative product information management and circularity. These are applied specifically to end-of-life management of production waste from electrical, electronic and chemical equipment and products. Traceability in the production and recycling or disposal process will be ensured by using blockchain technology.

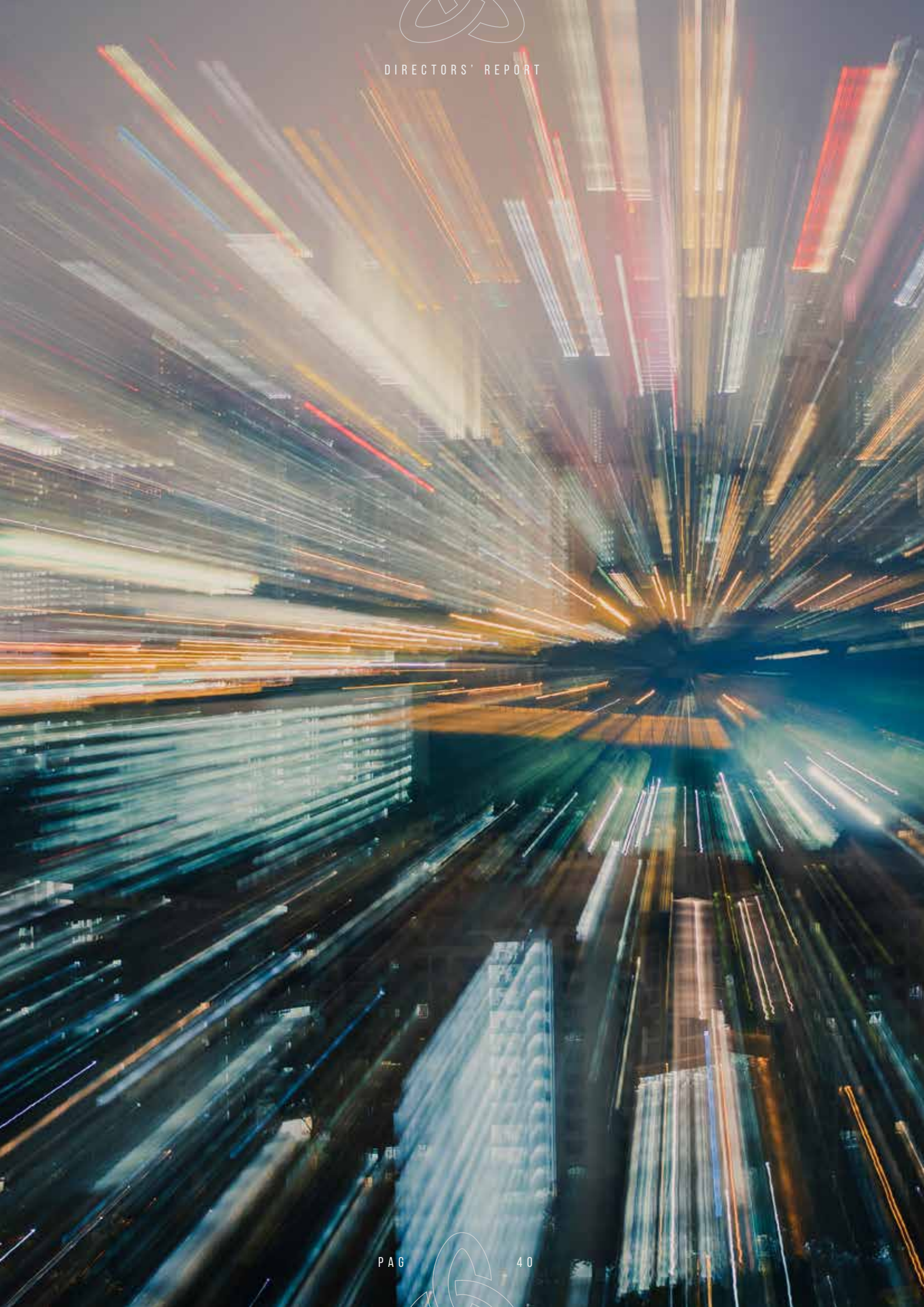
In Italy, Italtel has acquired a major research project on "Telecommunications of the Future" called RESTART (RESearch and innovation on future Telecommunications systems and networks, to make Italy more smART). The project was financed by the MUR with funds from the National Recovery and Resilience Plan Mission 4, Component 2, Investment 1.3 - Extended Partnerships. The project is coordinated by the University of Rome Tor Vergata. It is a supply chain program for cooperation and execution of research projects in the field of Telecommunication Networks and Services and related applications. Its strategic goal is to support revitalization in the Italian telecommunications sector. Italtel's contributions center around network orchestration and services technologies in the Open RAN, cloud edge, far edge and flying ad hoc network (FANET) domains.

ITALTEL IS THERE
WHEN THE CUSTOMER
IS ACCOMPANIED
FROM DESIGN
TO SUPPORT

Also using MUR National Recovery and Resilience Plan "Extended Partnerships" funds, Italtel has acquired another important research project in the area of "Circular and Sustainable Made in Italy". The project is called 3A-ITALY and is coordinated by the

Polytechnic University of Milan. The project seeks to strengthen the research supply chains at the national level in the Clothing-Fashion, Wood-Furniture and Mechanics-Automation sectors, promote their participation in strategic European and global value chains, and integrate research programs with the topics under the NRRP and Horizon Europe clusters.

As part of the European Framework "Horizon 2020", work continued on the project "AI@EDGE" (A secure





and reusable Artificial Intelligence platform for Edge computing in beyond 5G Networks). The aim is to leverage Artificial Intelligence technologies for 5G network automation in different industrial domains under the AI-for-Networks and Networks-for-AI paradigm. The project is co-ordinated by Bruno Kessler Foundation (I) and consists of 19 partners.

Also as part of Horizon 2020, work was completed on the project "GUARD" (A cyber-security framework to GUArantee Reliability and trust for Digital service chains). This focused on the development of an open and extensible platform for the protection and security of trusted business chains for heterogeneous infrastructures.

As part of the "ECSEL-JU" (Electronics Components and Systems for European Leadership - Joint Undertaking) Program, activities continued for the BRAINE (Big data pRocessing and Artificial Intelligence at the Network Edge) project. This seeks to promote the development of the edge computing paradigm, with particular reference to new energy-efficient Artificial Intelligence (AI) hardware and software systems that are capable of processing Big Data at the network edge to support security, privacy and data sovereignty.

As regards the November 2017 PON call for proposals "Research and Innovation 2014-2020 - Technology Clusters" from the Ministry of University and Research (MUR), work continued for the BEST4U (Technology for High Efficiency 4-terminal bifacial solar panels for 'utility scale') and 4FRAILTY (Intelligent sensing, infrastructure and management models for the safety of fragile subjects) projects.

As part of the Region of Lombardy's "Research and Innovation Call Hub" call for proposals, work was completed on the "SCC Innovation Hub & Living Lab Network" project. This seeks to create an ecosystem to collect big data and develop Artificial Intelligence algorithms to create solutions and services to improve the quality of life of citizens in Smart & Connected Cities.

Finally, Italtel confirmed that in the three-year period 2022-2024 it will once again participate in research and innovation activities as part of the Competence Center for Industry 4.0 MADE, led by the Polytechnic University of Milan. Italtel works within five

thematic areas and has actively collaborated in the creation of numerous "technology islands" through proprietary and third-party solutions and integration activities with a number of MADE partners. The ICT infrastructure of the MADE campus (network, wifi and security) was also implemented. This is an enabling element for the creation of spaces for the technology island, coworking, meetings, training and workshops to support the path of innovation and digital transformation towards Industry 4.0. Numerous initiatives relating to "Orientation" and "Training" activities were also carried out.



PARTNERSHIP

Italtel works with leading global ICT Vendors and Cloud Providers to strengthen its portfolio of offerings and meet customer needs globally. Strategic and technological partners contribute with Italtel to provide customers with tailored solutions and services.

The market requires that the commercial offer is constantly diversified and enriched, and this is made possible by expanding the range of partners to relevant players and by

strengthening strategic partnerships relating to the different technological strands that Italtel presides over (Analytics & Automation, Cybersecurity, Digital Workplace, Hybrid Cloud, IoT, Multimedia Networks, Smart Networks and 5G). It also comes through investment in ongoing training and acquisition of skills and certification for technical teams regarding products and solutions from market leaders, thereby providing customers with the best technology, guaranteed by recognized expertise in design, installation and support.

CISCO

The partnership with Cisco (at the highest level - Gold Integrator) since 2004 remains central to Italtel's commercial offering and significant resources are devoted to it. In addition to its actions, Italtel's technical excellence continues to be evidenced by the more than 200 technical certifications it holds, along with the Company's extensive specializations, including the Master in Collaboration and Master in Networking specializations, renewed during 2022, and the globally valid Gold Provider and Select Developer certifications.

In early 2022, a new Customer Experience (CX) specialization was acquired. This promotes a software-centric model based on software as a service (SaaS) solutions and building a sustainable

lifecycle practice for customer success. Italtel has consolidated this new business model based on software and recurrent revenue and has established its ability to offer Subscriptions and Enterprise Agreements on the market.

As in previous years, joint initiatives with Cisco were pursued in 2022 to improve expertise on the most innovative topics and bring them to market. Evolution plans were launched on the three following three strands:

- Environmental Sustainability, to educate customers on the importance of their participation in the circular economy by migrating to cloud-enabled solutions and upgrading older technologies.
- Secure Access Service Edge (SASE), to help customers converge network, security and observability functions in the cloud.
- Full-Stack Observability Solution (FSO), to support customers in reducing data noise and resolving issues before they impact digital experiences.
- Italtel has begun skill acquisition and certification paths for all three strands, and plans to obtain the three related specializations in Q1 2023.

OTHER PARTNERSHIPS

In 2022, Italtel ratcheted up its intensive scouting process for defining and enacting a multi-vendor strategy, which was launched in Q4 2021. During the year, partnerships were initiated, developed and managed with about 40 different vendors overall (some single-domain players, others present for more than one technology strand), to differentiate and extend the catalog of offerings mainly on the topics of:

- Analytics & Automation with Appdynamics, Live Action, Solarwinds
- Cybersecurity with AlgoSec, Check Point, Efficient IP, F5, Fortinet, Palo Alto, Qualis
- Hybrid Cloud with AWS, Dell, Google Cloud, Microsoft, VMware



- Digital Workplace with Audiocodes, Microsoft, Pexip
- Smart Networks with Adva, Arista, Juniper
- 5G with Athonet

The partners with whom a more fruitful form of collaboration has been established are:

Using its networking systems integration capabilities and Cloud knowledge, Italtel has developed the Fast-Shift solution in partnership with Microsoft and Cisco, which can enable migration to Cloud Azure and address special customer needs. In December 2022, the solution won its first contract through TIM Sparkle with a Greek supply chain and logistics company.

Check Point

Italtel has been a Check Point partner at the first level of partnership (2 Star) since 2020. The requirements to move to the next level (3 Star) were met in 2022, thanks to the booking made with the order of one of Italy's leading telco operators and the achievement of a new certification. A parallel Support Provider Qualification (CCSP) is planned for 2023, certifying the partner as a provider of support services for customers.

Fortinet

Italtel has been a Fortinet partner since 2021 and obtained the second level of partnership (Select) in January 2022. During the year, the requirements to advance two levels of partnership were met thanks to the booking made with the order from a large central government agency and the achievement of two new certifications. The transition to Advanced will be made official by January 2023, and that of the transition to Expert by April 2023.

ITALTEL IS THERE
WHEN SOLUTIONS
ALSO COME FROM
CONTRIBUTIONS FROM
THE BEST PARTNERS
ON THE MARKET

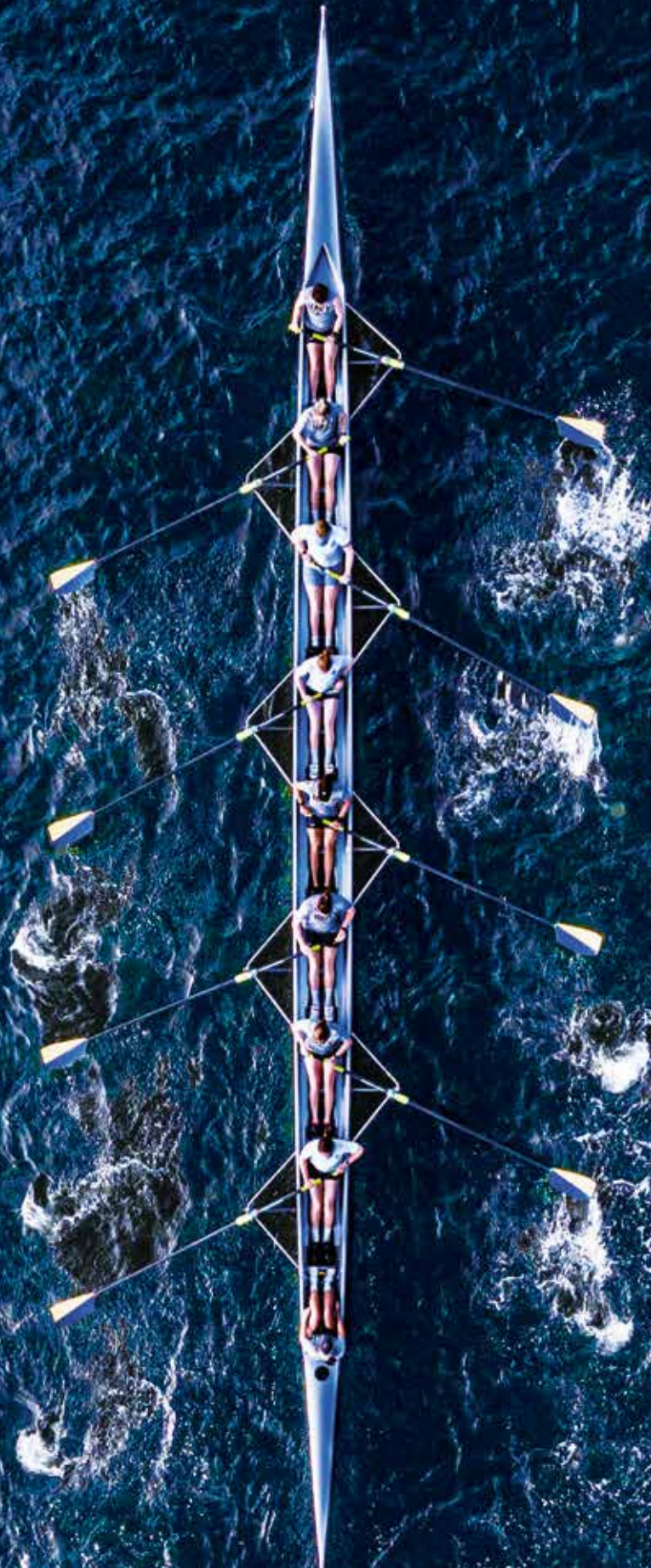
Juniper

Italtel has been a first level partner (Reseller) of Juniper since 2021 and at the end of 2022 obtained the next level (Select) and the specializations for Data Center, Routing and Security thanks to the orders with two of Italy's main telco operators and the numerous certifications it holds.

Microsoft

Italtel has been a Microsoft Gold partner since 2021. Among the technology strands offered by the vendor, Italtel has focused on Collaboration and Cloud.

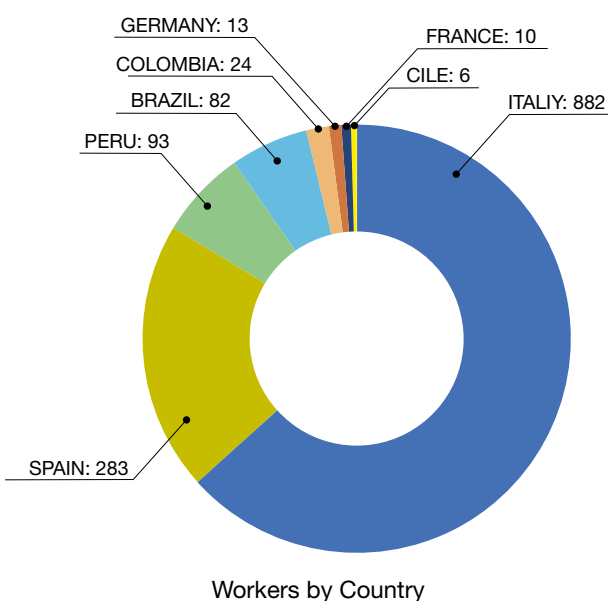




THE WOMEN AND MEN OF ITALTEL

Italtel's people possess distinctive skills and professionalism that have always been considered one of the Group's strengths. The Company is committed to ensuring that its people work in a safe, agile, innovative environment that stimulates ideas and personality and is compatible with aspirations in the personal, family and professional spheres.

At the end of 2022, the Italtel Group had 1,392 employees, of whom 511 were stationed abroad, compared to 1,551 at the end of 2021, of whom 536 worked abroad.



WORK-LIFE BALANCE

The Company's policy in each of the countries in which it operates is to pay close attention to work-life balance, and it has used remote working as a hybrid work method for a number of years. The onset of the pandemic in 2020 therefore presented an opportunity to strengthen and extend the hybrid work practices already in place at the Company for

some time. Thanks to remote working, positive and immediate impacts have been observed in terms of work organization, processes and, more generally, in the development of digital knowledge and skills, both as regards activities and the tools used. The company has supported this moment of change with appropriate training/information paths that have made it possible to contain declines in productivity, and - in some specific cases - to improve and increase it.

In 2022, as the pandemic emergency phase came to an end, the Company continued to work in hybrid mode, on a voluntary basis and up to 50% of working time.

WELFARE

Italtel has had a Welfare plan in place for several years. This continued in 2022 and provided for a flexible benefits plan worth about Euro 300,000 for its staff in Italy, providing an individual welfare credit of Euro 300. The credit allows the employee to independently choose the types of services from within the basket made available by the Company through an ad hoc portal.

Attention to the well-being and comfort of the working environment was one of the elements underpinning the design of the new offices at the Caldera Park business center in Milan, Italy. General management and staff moved to the site from March 2022, having previously been located in the historic Settimo Milanese headquarters. The typical needs of software development companies were taken into account when designing the new spaces, and functional spaces designed for integration and teamwork were provided to offer relaxation environments, privacy areas, and refreshment areas.

In addition, and more generally, the Company has always guaranteed its employees an integrated system of work flexibility (remote working, flexible working hours in and out, part-time, hourly vacations, etc.) to improve work-life balance or foster sustainable mobility (by incentivizing the use of "company shuttles," ensuring free reserved parking inside Caldera Park and providing an eco-sustainable mixed-use company car fleet) or improving the work-

life experience (restaurant tokens, discounts and concessions). Finally, to support the performance of work in “smart” mode, the Company ensures that almost all of its staff have laptops equipped with corporate communication tools (e.g., video-conferencing applications) and provides around 50% of personnel with a company smartphone.

TRAINING

Aware of how important it is to provide a stimulating work environment, Italtel is committed to training its staff and supporting their professional growth, and to developing technical, management and soft skills.

The annual training final report for 2022 shows that 4,399 hours were provided, with 1,433 attendances.

Training programs include work to develop organizational behavior and to enhance knowledge and skills to support innovation and technological development programs, with paths designed in close connection with market needs and investment in innovation.

Also in 2022, the Udemy platform was used for employee e-learning, with courses on both technical skills (e.g., in the areas of Cloud Computing, Data Science, Operating Systems and Servers) and soft skills with courses on leadership and management, personal development and communication.

An e-learning course on Cybersecurity was provided for all staff in Italy and abroad. This is increasingly crucial for businesses given the exponential increase in fraud attempts targeted at stealing data and information using increasingly sophisticated and structured techniques and methods. The objective of the initiative was to provide adequate training on the behaviors to be adopted to operate securely on a day-to-day basis, reducing possible related risks.

Following the publication of the new public notice relating to the New Skills Fund (Call 2022), the Company submitted an important and numerically challenging project that, if approved by the relevant bodies in Q1 2023, will allow it to begin substantial training plans to support the major transformations

taking place in both the digital and ecological sustainability spheres.

The 2022 training programs covered:

TECHNICAL-SPECIAL SKILLS: reskilling and evolution of skills and certifications with a focus on innovative Cloud, Cybersecurity, Hybrid Cloud, Collaboration, 5G and Networking strands.

MANAGEMENT SKILLS: paths taken exclusively in e-learning mode, mainly on:

- agile and Scrum methodologies, project management, Itil;
- leadership, team management, and personal growth.

LANGUAGE SKILLS

COMPLIANCE WITH REGULATIONS: in areas including regulatory aspects related to remote working and development of ethical values, in Italy under Legislative Decree No. 231/01, and in overseas sites in Spain

MANDATORY TRAINING: Italtel has always paid close attention and been sensitive to a systematic process of collecting safety data and indicators for all its offices. It considers training activities as an essential prevention tool, not simply related to the knowledge of risks, but also to managing them. The main topics addressed during 2022 were:

- occupational health and safety protection (pursuant to Legislative Decree No. 81/08) at the Italian, Spanish and Argentine sites.
- GDPR (General Data Protection Regulation) - Privacy Regulation (EU 2016/679) at the Italian and Spanish sites.

ACADEMY ITALTEL

Since its founding more than 100 years ago, Italtel has focused on training people and upgrading skills. To better manage the various needs and the most targeted responses in a strategic and structured way, Italtel has developed its Academy.

A significant portion of the training programs is

geared toward training employees during the typical stages of entry into the company (onboarding). However, this should not be understood simply in the traditional sense of welcoming a “new hire”, since “entry” can refer to any of the occasions on which a staff member has to manage a change, be it of position, function, job or career.

One best practice is the structured pathways established for the BU UBB: to support the design capacity of ultra-wideband development plans in Italy, the Academy has in recent years trained around 200 young people (with an average age between 25 and 30) 46% of whom are women. Over the course of 2022, the training program also extended the expertise of young designers to enable them to work on the various network architectures used by customers, thus making each technician more versatile and adaptable to market needs.

Continuous skill building and updating is ensured for key ICT topics such as Networking, Hybrid Cloud, Cybersecurity, Analytics & Automation through training and certification paths on the most important technologies. The certifications attained by Italtel's technicians provide an objective and measurable wealth of professionalism that can assure customers of the technical capabilities of the people involved in the projects. When participating in calls for tenders, it is also essential that all company and individual certifications are readily available.

In 2022, around 100 certifications and specialist accreditations were achieved or renewed, particularly in innovative areas in support of Business Plan investments.

In the interests of sustainability, Italtel has always worked in close synergy with stakeholders in the territories where it operates, both in Italy and abroad. A fundamental part of the Italtel Academy is therefore the organic system of synergies and partnerships in the territories where the Company's offices are located. In 2022, Italtel entered into a strategic partnership with Fondazione Istituto Tecnico Superiore Angelo Rizzoli for Information and Communication Technologies, which has been providing post-diploma specialization and training

ITALTEL CHOOSES FLEXIBLE WORK AS IT IS VALUABLE TO PEOPLE

courses for future technicians in ICT and Smart Manufacturing (Industry 4.0) for over 10 years. The collaboration with the ITS Rizzoli Foundation will allow Italtel to offer young specialists opportunities for induction through training internships and

apprenticeship contracts, where they will work alongside its developers and engineering technicians in a context of fruitful exchange of skills and generational overlap.

Italtel has long had initiatives in place to strengthen its relationships with leading Italian universities (Bocconi, the Polytechnic University of Milan, the University of Palermo, and many others). These work both through the construction of internship paths and with activities designed to bring expertise and experience to orient educational offerings to the needs of a sector undergoing rapid and continuous technological transformation.

MANAGEMENT SYSTEMS AND CERTIFICATIONS

To better meet the needs of the market, Italtel has held certification of its Quality Management System to the ISO 9001 standard since 1992. This has contributed to the definition, maintenance and improvement of business processes by gradually identifying new goals consistent with the highest standards defined in the Quality Policy, such as those regarding Innovation, Customer Support, Stakeholder Satisfaction, and Sustainable Development.

Italtel also holds environmental certification (ISO 14001) for its Carini site, obtained in 2001; Information Security Management System certification (ISO 27001) obtained in 2004 for areas offering network business support services, including network operation, maintenance and security; and certification relating to the quantification and reporting of greenhouse gas emissions and their removal (ISO 14064-1), obtained in 2022.

These certifications testify to Italtel's effort to be ever more effective in meeting customer needs, ensuring compliance with their security needs when dealing





with their information, and maintaining the utmost focus on sustainability issues by committing to reducing its environmental impact.

To increasingly understand and meet the needs of the market, Italtel conducts an annual customer satisfaction survey. The three management systems are monitored by recording performance indicators and are periodically audited to ensure their effectiveness, while the quantification and reporting of CO2 emissions are the subject of specific plans to reduce those emissions. Each of the three management systems is subject to an annual management review, which provides an overall assessment of their performance and enables improvement strategies to be identified.

Italtel's goal is to ensure that the best practices of each Group company are shared by all others, with appropriate adjustments to the relevant national context.

As regards foreign companies, Italtel S.A. (Spain) has held certification for its Quality Management System according to the ISO 9001 standard since 2000; in 2021 it also obtained ISO 27001 and ISO 20000-1 (relating to the Service Management System) certifications; in 2022, it obtained ISO 14001, ISO 14064-1, ISO 27018 (Code of Conduct for the Protection of Personally Identifiable Information (PII) in Public Cloud Services for Cloud Providers) certifications and an EcoVadis 2022 sustainability ranking.

Italtel Colombia held OHSAS certification until 2020 and has planned ISO 45001 (Occupational health and safety management system) certification for July 2023; Italtel Peru has also planned for next year ISO 9001, ISO 27001 and ISO 22301 (Business continuity management system) certifications.



SUSTAINABILITY

In realizing its business model and carrying out its activities, Italtel considers it paramount to protect the environment and occupational health and safety, according to the needs of all stakeholders and the entire community of which it forms a part, and to facilitate the evolution of a sustainable development model.

Protecting people's health and safeguarding the environment are prerequisites for maintaining stakeholder esteem and respect and for the Group's competitive, healthy and sustainable success.

Italtel is aware that the results achieved do not relate only to economic-financial aspects, but also to other elements of extreme significance for the Company.

These include greenhouse gas emissions generated, the amount and type of waste produced, worker safety, ethics in business, and a proper work-life balance.

In conducting processes and within each of its branches, in Italy and abroad, Italtel is committed to continuing the implementation of the principles of its environmental policy.

In 2022, the logo and brand identity restyling project was finalized. This was launched in late 2021 with the objective of providing the market with a sign of a renewed focus on sustainability, in conjunction with the startup of the new company. The project was entrusted to an external graphic design professional and involved Italian and foreign top management through an assessment. The objective of the restyling was to seek an evolution in the sense of modernity, lightness, and dynamism while simultaneously remaining recognizable.

The main changes from the previous logo are a new font and a thinner symbol, which now features three colors: light blue for the sky and to reflect the color traditionally associated with innovation, green - the color of sustainability and the environment - and yellow/gold, representing the color of earth, positivity

and sustainability.

While the new logo retains a reference to the original shape based on three curved lines, it therefore features greater dynamism in the space of the three elements, which are inspired by the concepts of innovation, inclusion, and sustainability, in line with the new company's commitment to these areas.

The new brand identity was designed to customize the spaces at the new Caldera Park Milan headquarters. The offices have been redesigned in line with the new logic of agile work, with dedicated collaboration spaces, networking areas, small phone booths to ensure privacy during calls, and a large refreshment area. The size of the spaces has been reduced overall, considering the lower daily flow of people as staff take advantage of hybrid work modes. They have been designed with worker well-being and comfort in mind, using ergonomic furniture and colorful glass walls.

In 2022, Italtel obtained ISO 14064-1 certification for 2021 data on the Organization's carbon footprint. The effect of this standard was to make GHG (Greenhouse Gas Emissions from Human Activities) inventory reporting more complete and

consistent and to refine calculation methodologies and emission factors.

Electrical Energy (EE) is the energy principal source for Italtel, accounting for 94.2% (5.25 GWh) in 2022. Combustibles (methane gas and LPG) and, finally, fuels follow. In 2022, the overall reduction in energy used compared to 2021 was 36.5%. Specifically, electricity decreased by 33.9%, a fall of 50.8% on the 2018-2022 period.

Partly as a result of office efficiencies related to the move to Caldera Park, 2022 saw a reduction in total direct and indirect emissions of 36.3% in terms of metric tons of CO₂ equivalent compared to 2021, a 57.2% decrease on the five-year period 2018-2022. To obtain more variables for the evaluation, staff were involved in a survey on transportation and home-to-work commuting.

Outside Italy, the combination of two factors led to an upswing in consumption: the removal of measures

ITALTEL SUPPORTS INITIATIVES WITH REGIONAL STAKEHOLDERS AS AN ENTERPRISE IS NOT AN ISLAND

to prevent the risk of the spread of COVID-19, which led to the widespread use of remote working in all subsidiaries, and the dynamic growth in staffing at overseas offices. Total emissions increased by 37.4% on the previous year, but there was a 51.3% decrease on the 2018-2022 period.

From 2021, Italtel will disclose data on its environmental impact and carbon footprint through CDP, a global non-profit organization that is a leader in collecting such data and a reference for industry qualification. Through its Climate Change questionnaire, CDP urges governments and companies to be transparent about their greenhouse gas emissions and reduce them through concrete actions in the coming years.

For 2022, Italtel's CDP rating for the Climate Change questionnaire showed an improvement in score from level D ("Disclosure" level - Transparency on climate issues) to level C ("Awareness" level - Knowledge of climate impacts and issues).

Compared to 2021, consumption of paper increased both in absolute terms and per capita. The effect, in the order of 32%, relates to increased in-person activities in offices compared with the COVID-19 period. However, the trend is decreasing compared to the five-year comparison period.

As regards the Plastic Free project for all Italian locations, over the five-year period 2018-22, the cumulative plastic reduction was 99.1%, or 8.8 tCO₂e and 110 equivalent trees.

Beginning with its sustainability report for 2021, Italtel provides an estimate of its green turnover according to the FTSE Classification System 2.0 (February 2023), which defines green turnover as "that deriving from products and services that have positive environmental utility: which help prevent, restore and adapt to problems arising from climate change, natural resource limitations and environmental degradation." According to the FTSE classification system, the share of turnover that can be considered green in 2022 was 7%.

2022 was a year of recovery for business travel following the pandemic. The CO₂ emissions from work related journeys both in Italy and abroad was approx. 156 metric tons, representing approx. 5.7% of all direct and indirect emissions related

to company activities. This is a 33.6% increase in emission impacts on 2021, but constitutes a decrease of 84.5% overall on the five-year period 2018-2022.

Italtel holds the Legality Rating, assigned to it for the first time in 2015, and since 2017 has been awarded three stars by the Italian Anti-trust Authority (AGCM), the maximum score obtainable. Over the years, this score has been reconfirmed and consistently maintained. In 2022, AGCM awarded the "New Company" Legality Rating, with the highest score. The Rating is valid for two years, so the current certificate will remain in effect until 2024. This major achievement places Italtel among those companies most committed to adopting ethical conduct principles and operating in compliance with law.

Italtel has an active personal data management system in place which complies with EU Regulation 2016/679 (General Data Protection Regulation - GDPR) which came into effect on May 24, 2016 and became applicable as of May 25, 2018.

In order to provide its customers with a guarantee of GDPR compliance, Italtel has submitted its products and solutions to internal assessment structured according to the requirements of the GDPR (as per Articles 15 to 21, 24 and 32). All the systems and solutions assessed were fully compliant with the GDPR for their intended applications, and have been designed and implemented to incorporate the aforementioned technical measures.

To effectively communicate to clients its compliance with the principles of "privacy by design" and "privacy by default", Italtel has developed a "Italtel GDPR ready" logo to safeguard brand identity consistency and recognizability.

The activities and initiatives that Italtel carries out directly or indirectly related to sustainability issues range from actions to improve and innovate products and services, through intense research activities, to internal corporate initiatives and various participations in consortia, associations and national and international organizations.

Specifically, since 2015 Italtel has annually assessed compliance with the Corporate Social Responsibility principles by EcoVadis, an international organization which has developed a collaborative platform to



assess the sustainability of suppliers operating within the global supply chain, whose system of analysis, founded on internationally recognized standards, is broken down into four areas: The Environment, Work and Human Rights, Business Ethics, and Sustainable Procurement.

In these areas, in 2022 - for the seventh consecutive year - Italtel received the "Silver Medal" with a score of 61 points out of 100. Italtel has improved its score each year to rank in the top 13% overall of the best companies assessed in its industry, in the top 16% of the best companies in its industry for aspects relating to sustainable procurement, and in the top 9% for aspects relating to Business Ethics.

In 2022, EcoVadis published its "Business Sustainability Risk and Performance Index 6th Edition," a global-scale report covering the period 2017-2021 and based on data gathered from more than 83,000 assessments of more than 53,000 companies worldwide. The analysis shows that, in 2021, the average score achieved by Large Enterprises (with more than 1,000 employees) is 47.3 points out of 100 on a global scale, but that this varies by geographic area and, in Europe, reaches 53.6 points. Italtel, with its score of 61/100, is therefore above the European average and significantly above the global average.

For further details on Human Resources and Sustainability, please refer to the Italtel 2022 Sustainability Report, which collects and sets out all relevant Group-wide facts and initiatives in the ESG (Environment, Social and Governance) areas.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Assumption, completed through the Deed of Acknowledgment of April 1, 2022, resulted in a change to the shareholding structure and the structure of the Company created following the assumption ("new Italtel S.p.A."). The currently applicable By-Laws also came into effect, which govern - among other matters - the composition and functioning of the corporate bodies, including the Board of Directors.

Under Article 11.1.2 of the By-Laws and as the sole holders of the A Shares and B Shares issued by the Company, both TIM and Clessidra hold the right to appoint one member of the Board of Directors, while the other Directors - from a minimum of seven to a maximum of nine - must be appointed by the Company's Shareholders' Meeting, in which the PSC Group has the majority of votes, and which appoints the Chairperson (Article 11.1.3 of the By-Laws). According to the provisions of Article 11.5.2 of the By-Laws as below, the Directors chosen by TIM and Clessidra are given the power of veto regarding certain management transactions. These include, for example, the purchase or sale of corporate shareholdings and companies; the purchase of goods and services worth more than Euro 2.5 million; and the assumption of medium- to long-term debt.

Shareholder agreements entered into by the parties contain a number of specific provisions on the appointment of Statutory Auditors, but do not include any additional provisions on governance, beyond those in the By-Laws, except for the one that entrusts PSC with the appointment of the Managing Director (Article 4.3.3. of the Shareholder agreement).

BOARD OF DIRECTORS

In general terms, the Board of Directors is vested with the broadest powers of ordinary and extraordinary management of the Company and has the power to perform all acts, including acts of disposition, that it deems appropriate to realize and achieve the corporate purposes, with the exception only of those acts that are reserved by law to the Shareholders' Meeting.

The Chairperson of the Board of Directors is vested with legal representation of the Company before third parties and in court, and, according to the law and the By-Laws, the powers pertaining to the office; by virtue of the Board of Directors' resolution of April 1, 2022, with single signature and within the financial limits stipulated by the aforementioned resolution, the Chief Executive Officer and legal representative are also vested - within the limits of his/her delegated authority and with the right to grant power of attorney to third parties - with the legal signature and representation before third parties and in court.

REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS OF ITALTEL S.p.A.

The remuneration payable to the Directors and Statutory Auditors of Italtel S.p.A., accruing in 2022, is as follows:

	(Euro thousands)	
	2022	2021
Directors	334	-
Statutory Auditors	30	-

The Shareholders' Meeting of April 1, 2022 granted the members of the Board of Directors the following gross annual remuneration: to the Chairperson of the Board of Directors, Euro 125,000, plus a bonus of Euro 50,000 (to be paid upon fulfillment of the agreed commitments); to the Director appointed by the Board as Chief Executive Officer, Euro 100,000 and, to the other Directors, including the Vice-Chairperson of the Board, Euro 25,000 each for each fiscal year and for the entire term of office, which expires with the approval of the financial statements at December 31, 2024.

In view of the establishment of the Internal Committees for Related Parties and Remuneration with the appointment of their respective members, the Board of Directors' of May 26, 2022 resolved to set the additional remuneration compared to the remuneration established by the Shareholders' Meeting of April 1, 2022 at Euro 5,000, to be awarded to each Committee member for each Committee, with waiver of remuneration by the Directors appointed by vote of the ordinary shares.

Following the appointment of the Board of Statutory Auditors, the Shareholders' Meeting of June 30, 2022, passed a resolution on Board members' remuneration, granting the Chairperson of the Board of Statutory Auditors a gross annual remuneration of Euro 25,000 and each Statutory Auditor a gross annual remuneration of Euro 15,000.

Following the confirmation of the Supervisory Board of the new Italtel, the Board of Directors of Italtel S.p.A. held on April 7, 2022 also passed a resolution on the remuneration due to the external members of the Supervisory Board and, specifically, Mr. Mauro Romano, awarding him the annual remuneration of Euro 2,500 for his role as member of the Supervisory Board, and to Ms. Anna Lucia Muserra, awarding her the annual remuneration of Euro 5,000 for her role as Chairperson of the Supervisory Board.

COMMITTEES

Subject to the provisions of Article 11.6.2 below regarding the composition of committees, Article 11.6 of the Company's current By-Laws provides that the Board of Directors may approve the establishment of internal Board committees, with the majorities required by law.

On April 29, 2022, the Company's Board of Directors resolved to establish the following committees:

- a "Related Parties Committee" consisting of the Director chosen by the holders of A-shares and the Director chosen by the holders of B-shares (pursuant to Article 11.6.2. (i) of the By-Laws) and another Director without operational authority chosen by the Board of Directors;
- a "Remuneration Committee" consisting of the Director chosen by the holders of A-shares and

the Director chosen by the holders of B-shares (pursuant to Article 11.6.2. (i) of the By-Laws) and another Director without operational authority chosen by the Board of Directors;

- the Board of Directors of February 16, 2022, in reviewing and approving the Regulation for Information Flows, which provides for the establishment of an ad hoc Committee, also resolved to establish an Information Flows Committee itself. According to the Regulation, this has the same composition as the Related Parties Committee and is thus composed of the Director chosen by the holders of A-shares and the Director chosen by the holders of B-shares (pursuant to Article 11.6.2. (i) of the By-Laws) and another Director without operational authority chosen by the Board of Directors;

REMUNERATION COMMITTEE

The current Committee was established by the Board of Directors of April 29, 2023 and, in accordance with the By-Laws, consists of three Directors in the person of Roberto Loiola, Director and Chairperson of the Committee, Federico Raffaele (Director chosen by the holders of B-shares) and Federico Ciccone (Director chosen by the holders of B-shares)

The Remuneration Committee (the first established under the current By-Laws), which met several times in 2022, internally approved the same Committee's Regulation, which is in the process of being approved by the Board of Directors. This Regulation governs the duties and mode of operation of the Remuneration Committee established within the Board of Directors.

The Remuneration Committee performs investigative, advisory and propositional functions to the Board and specifically:

- (a) formulates proposals or expresses opinions regarding the remuneration of the Chairperson and the Chief Executive Officer, in relation to the various forms of remuneration and economic benefits;
- b) makes proposals or expresses opinions regarding the remuneration of members of committees established by the Board;

(c) reviews the indications of the Chief Executive Officer and proposes:

- the general criteria for the remuneration of Senior Executives;
- the annual and long-term incentive plans;
- the definition of performance targets and the reporting of business results for performance plans relating to the determination of variable remuneration of Senior Directors powers and the enactment of incentive plans;

(d) periodically assesses the overall adequacy and consistency of that set out in (d) above, monitors its actual application and verifies, specifically, the actual achievement of performance targets, making proposals to the Board in this regard;

e) reports to the Board on its activities, at least half-yearly, at the Board meeting designated by the Chairperson of the Board of Directors;

f) reports on the manner in which its functions are exercised at the Board meeting called to approve the annual financial statements, through the Chairperson of the Committee itself or another member designated by the Chairperson.

THE RELATED PARTIES COMMITTEE

The current Committee was established by the Board of Directors of April 29, 2023 and, in accordance with the By-Laws, consists of three Directors in the person of Giuseppe Pirozzi, Director and Chairperson of the Committee, Federico Raffaele (Director chosen by the holders of B-shares) and Federico Ciccone (Director chosen by the holders of B-shares).

Following its establishment (on July 14, 2022), the Committee preliminarily decided to request from the Company's Board of Directors, the power to confer a professional assignment, under the best financial conditions, to render to the Company and, therefore, to the members designated for this Committee (i) external support in preparing a specific procedure regarding related party transactions; (ii) an induction on the *modus operandi* to be followed also in light of the admission of the reference shareholder to the procedure of arrangement with creditors pursuant to Article 161 paragraph 6, of the bankruptcy law; (ii)

support in preparing a specific internal committee regulation.

Therefore, following a favorable resolution of the Board of Directors, an external consultant was engaged to support the Committee in preparing a special procedure to regulate Italtel S.p.A. related party transactions and the Related Party Transactions Committee Regulation.

These documents were submitted to and approved by the Board of Directors on December 22.

ORGANIZATION, MANAGEMENT AND CONTROL MODEL

The Organization, Management and Control Model pursuant to Legislative Decree No. 231/2001 (hereinafter also the “231 Model” or “Model”) currently in force was approved by the Italtel S.p.A. Board of Directors at its meeting on September 29, 2022.

The Model - which was previously submitted to the Supervisory Board (hereinafter also the “Supervisory Board”) for evaluation - in addition to being aligned with the Company’s processes and organization, incorporates all the regulatory changes up to the date of its approval.

Specifically, the General Part of the Model and the following Special Parts were updated:

- Special Part A (Crimes in dealings with the Public Administration), following the amendments introduced by Law No. 3/2019 “Measures to combat offenses against the public sector, as well as on the statute of limitations and the transparency of political parties and movements” (known as the “Spazzacorrotti [Corruption Sweep] law”) and Legislative Decree No. 75/2020.
- Special Part C (Culpable offenses committed in violation of the rules on the protection of hygiene and health at work), in order to make some clarifications regarding agile work (Remote working) and the transposition of measures to combat and contain the spread of the COVID-19 virus.
- Special Part D (Cybercrimes and illegal data processing), following the inclusion in Decree No. 231/2001 of the crime of violation of regulations

on national cybersecurity (Article 1, paragraph 11, Decree Law No. 105 of September 21, 2019 “Urgent measures regarding the national cybersecurity perimeter”).

- Special Part K (Environmental Crimes), for the repeal of Article 260 of Legislative Decree No. 152/2006 (“Environmental Code”), which was replaced by Article 452-quaterdecies of the Penal Code pursuant to Legislative Decree No. 21/2018 and to incorporate the results of the review performed on the risk areas to assess operations (plant management, waste management, etc.) at the new Milan and Rome offices.
- Special Part N, new issue dedicated to preventing the tax crimes included as Article 25-quinquiesdecies of Decree No. 231/2001 by Law No. 157 of 2019, amended by Legislative Decree No. 75/2020.
- Special Part O, new issue dedicated to preventing smuggling crimes, introduced into Legislative Decree No. 231/2001 by Legislative Decree No. 75/2020.

The approval of the Model was announced both within the Group, through the corporate intranet, and externally, by updating the relevant section on the Company’s institutional website.

The personnel disclosure activities concerning Legislative Decree No. 231/2001, the Ethics Code and the Organization, Management and Control Model continued through updates to the content on the company intranet dedicated to the Compliance Office activities.

The business ethics training plan for Group personnel operating abroad was delivered. This consisted of five online training pills and covered the main types of offenses potentially applicable to Group activities. Training on these topics also continued for newly hired staff in Italy.

Audits of sensitive processes for 2022 were designed to prevent crimes against the Public Administration described in Special Part A of the Model. The audits covered the risk area “Supplies of goods and services to the Public Administration” and found compliance with the control elements of the Model, the applicable Internal Protocol, and information flows to the Supervisory Board.



The Compliance Officer of Italtel S.p.A. provided regular updates to the Supervisory Board (comprising two external members with expertise in financial reporting and economic – financial matters, risk management and control, the analysis of control systems and the governance required by Legislative Decree No. 231/2001 and the Internal Audit and Compliance Manager) and senior management concerning activities carried out for implementation and verification of the 231 Model.

The Supervisory Board also verified the results of the information received periodically in accordance with the 231 Protocol.

Following the completion of the process to assume Italtel S.p.A. “OldCo” into Italtel S.p.A. “NewCo,” which concluded on April 1, 2022, and the Board of Directors’ approval of the 231 Model (September 29, 2022), an application was submitted to the Anti-trust Authority (AGCM) for the award of the Legality Rating. On November 24, 2022, the Authority announced that it was awarding Italtel a Legality Rating of 3 stars, which is the maximum obtainable.

RISK MANAGEMENT

For information on financial risks and the risk of business interruption due to SARS - Cov 2, see Notes 5 and 45 of the Notes to the Consolidated Financial Statements.

CONFLICT OF INTEREST REGULATION

In 2022, the periodic verification of compliance with the rules regarding the recording of potential cases of conflict of interest and the relative treatment for employees of all Group companies with special powers and duties continued.





RELATED PARTY TRANSACTIONS

The Company continued during the year to monitor transactions with Related Parties in protection of the minority shareholders and the other Italtel S.p.A. stakeholders from any abuses, ensuring transparent disclosure, in addition to the formal and substantial correctness of transactions with Related Parties, both in the preparatory and execution phases.

Italtel S.p.A. has put in place an internal procedure concerning related party transactions, approved by the Board of Directors of the Company on December 22, 2022.

In relation to activities with related parties in the year, reference should be made to the section within the Notes.

EVENTS AFTER THE REPORTING DATE

With H Exchange, a real estate company related to the Hightel Towers Group, Italtel signed a preliminary sale agreement by which the companies commit to formalizing the final purchase and sale by April 2023. The activities carried out at the historic Carini industrial complex will then be transferred to a new location in Palermo which better meets the Company's current needs. The relocation of the Carini hub is part of a plan to modernize the Italian offices which seeks to improve the quality of work environments, making them more modern and functional and achieving a major efficiency in operating costs and energy consumption with a view to eco-sustainability.

A total of 169 people work at Carini, most of whom are technicians and engineers working in research and development laboratories on software design activities and the development of innovative network design and engineering, automation and information security services.

On February 28, 2023, Italtel began a collective dismissal procedure, pursuant to Law No. 223 of July 23, 1991, for a total number of 123 employees.

As already set out in the business plan, the goal is to reposition the Company to ensure its sustainability and accelerate growth in new markets, including through a plan to revise the workforce, which is no longer in line with the changed business and market scenario.





OUTLOOK

2023 will see a continuation of the path outlined in the business plan, which includes a strategy geared toward technological innovation in order to maintain the Company's competitive position in the telecommunications market. It will focus on efficient resource management and maintaining a solid financial position to ensure the Company's long-term stability and growth.

For the Board of Directors
The Chief Executive Officer

Milan, March 29, 2023



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet at December 31, 2022 and 2021

(Euro thousands)			
	Note	31/12/2022	31/12/2021
Assets			
Non-current assets			
Property, plant and equipment	(9)	3,503	-
Right-of-use on third-party assets	(10)	7,781	-
Other intangible assets	(11)	16,624	-
Goodwill	(12)	12,601	-
Investments measured using the equity method	(13)	81	-
Medium/long term financial assets	(14)	215	-
Other assets	(15)	921	-
Deferred Tax Assets	(16)	3,035	-
Total Non-Current Assets		44,761	-
Current assets			
Inventories	(17)	24,660	-
Contract work-in-progress	(18)	27,195	-
Trade receivables	(19)	62,674	-
Current tax receivables	(20)	580	-
Other receivables and assets	(21)	26,141	588
Short-term financial assets	(22)	83	-
Restricted current accounts	(23)	2,127	-
Cash and cash equivalents	(23)	33,309	33
Total Current Assets		176,769	621
Assets held-for-sale and discontinued operations	(45)	4,518	-
Total assets		226,048	621
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Share capital	(24)	5,675	50
Reserves	(25)	50,623	-
Other reserves included Profit/(Loss) for the year	(26)	(5,296)	(19)
Group Shareholders' Equity		51,002	31
Minority interest capital and reserves		-	-
Total Shareholders' Equity		51,002	31
Liabilities			
Non-current liabilities			
Employee provisions	(27)	13,025	-
Provisions for risks and charges	(28)	11,397	-
Deferred tax liabilities	(16)	3,772	-
Medium/long term financial liabilities	(29)	17,077	-
Other liabilities	(30)	10,535	-
Total Non-Current Liabilities		55,806	-
Current liabilities			
Advances on contract work-in-progress	(18)	4,321	-
Trade payables	(32)	61,789	590
Current tax payables	(33)	353	-
Other payables and liabilities	(34)	38,091	-
Short-term financial liabilities	(29)	13,794	-
Total Current Liabilities		118,348	590
Liabilities related to assets held-for-sale and discontinued operations	(45)	892	-
Total liabilities		175,046	590
Total Shareholders' Equity and Liabilities		226,048	621

2022 and 2021 Consolidated Income Statement

(Euro thousands)			
	Note	2022	2021
Revenue from sales and services	(35)	209,160	-
Other income	(36)	6,943	4
Purchase of materials and external services	(37)	(140,345)	(21)
Personnel expense	(38)	(59,734)	-
Amortization, depreciation & write-downs	(39)	(6,321)	-
Other operating expenses	(40)	(3,767)	-
Change in inventories	(41)	(5,127)	-
Increase in internal work capitalized	(42)	1,586	-
EBIT		2,395	(17)
Financial income	(43)	5,059	-
Financial expenses	(43)	(9,846)	-
Profit/(loss) before taxes		(2,392)	(17)
Income taxes	(44)	(3,253)	-
Profit/(Loss) from continuing operations		(5,645)	(17)
Net Profit/(Loss) from discontinued operations	(45)	(340)	-
NET PROFIT/(LOSS) FOR THE YEAR		(5,985)	(17)
Group share		(5,985)	(17)
Minority interest share		-	-

2022 and 2021 Consolidated Comprehensive Income Statement

(Euro thousands)			
	Note	2022	2021
Net Profit/(Loss) for the year		(5,985)	(17)
<i>Other comprehensive income/(expense) which may be subsequently reclassified to income/(loss) for the year:</i>			
Profits/(losses) from conversion of accounts of overseas companies	26	537	-
<i>Total other comprehensive income/(expense) which may not be subsequently reclassified to income/(loss) for the year:</i>			
Re-measuring of employee plan (IAS 19):			
Actuarial profits/(losses)	26	993	-
Tax effect		-	-
Total other income/(expense) directly recorded to net equity		1,530	-
Total comprehensive income/(expense)		(4,455)	(17)
Group share		(4,455)	(17)
Minority interest share		-	-

Further information on the comprehensive income items is reported in Note 26 Other reserves including profit/(loss) and minority interest reserves

Consolidated Cash Flow Statement at December 31, 2022 and 2021

(Euro thousands)

	Note	2022	2021
A - Opening cash and cash equivalents (net short-term debt)		33	10
A - Opening cash and cash equivalents from assumption		16,460	-
B - Cash flow from operating activities			
Loss for the year		(5,985)	(17)
Amortization, depreciation & write-downs		6,321	-
(Gains)/losses on disposed assets		7	-
(Increase)/Decrease in deferred taxes		1,686	-
Increase/(Decrease) of employee benefits provisions		(524)	-
Payment of employee benefit provision - preferential debt		(2,492)	-
Changes in other provisions		1,792	-
Cash flow from activities before changes in working capital		808	(17)
Changes in working capital			
(Increase) / Decrease in receivables		(943)	-
(Increase) / Decrease in inventories		4,594	-
(Increase) / Decrease of other assets		16,310	(102)
Increase / (Decrease) in trade and other payables		(21,540)	102
Settlement of arrangement debts to suppliers and other preferential debts		(8,445)	-
Total changes in working capital		(10,024)	-
Total (B) ⁽¹⁾	(23)	(9,216)	(17)
C - Cash flow from investing activities			
(Investments) and divestments in holdings and securities		(19)	-
(Increase) / Decrease in other financial assets		(82)	-
Divestment of fixed assets		3,195	-
Investments in property, plant & equipment		(2,250)	-
Investments in intangible assets		(1,649)	-
Total (C)	(23)	(805)	-
D - Cash flow from financing activities ⁽²⁾			
Share capital payments		4,823	40
Share premium reserve payments		42,955	-
Payment of arrangement financial payables		(20,078)	-
Granting and (repayments) of short-term loans		(852)	-
Granting payables for with recourse discount transactions		3,717	-
Repayment of loans to third parties		(876)	-
Repayment of finance leases		(1,461)	-
Repayment of financial lease liabilities to PSC S.p.A.		(346)	-
Repayment of financial lease liabilities to PSC Investimenti S.p.A.		(68)	-
Granting of finance leases		1,184	-
Increase / (Decrease) in other financial assets and liabilities		456	-
Total (D)	(23)	29,454	40
E - Cash flow for the year (B+C+D)		19,433	23
Other shareholders' equity changes		(490)	-
F - Closing cash and cash equivalents		35,436	33

(1) Includes payment of Euro 1,156 thousand Euro at December 31, 2022.

(2) In FY 2022, there is no unpaid interest expense at the end of the fiscal year.

(3) Further information on cash flows is reported in Note 23

A - Opening cash and cash equivalents	23	16,493	-
F - Closing cash and cash equivalents	23	35,436	10
G - Net cash flow for the year (A-F)		18,943	33

Statement of changes in Shareholders' Equity for years ended December 31, 2021 and 2022

(Euro thousands)

	Group Share				Minority interest share	Total Shareholders' Equity
	Share capital	Reserves	Other reserves including net result	Total		
January 1, 2021	50	-	(2)	48	-	48
Note (*)						
Comprehensive income/(expense) FY 2021 (restated)	-	-	(17)	(17)	-	(17)
December 31, 2021	50	-	(19)	31	-	31
Comprehensive income/(expense) January 1 - March 31, 2022	-	-	-	-	-	-
Transactions with shareholders:						
Increase in share capital & share premium reserve through cash payments to April 1, 2022	4,773	42,955	-	47,728	-	47,728
Increase in share capital & share premium reserve through conversion of unsecured loans to April 1, 2022	852	7,668	-	8,520	-	8,520
Total recapitalization to April 1, 2022	5,625	50,623	-	56,248	-	56,248
April 1, 2022	5,675	50,623	(19)	56,279	-	56,279
Comprehensive income/(expense) April 1 - December 31, 2022	-	-	(4,455)	(4,455)	-	(4,455)
Effect of application of IAS 29 on equity items of Italtel Argentina SA & Italtel de Chile SpA at December 31, 2022	-	-	(822)	(822)	-	(822)
December 31, 2022	5,675	50,623	(5,296)	51,002	-	51,002

*) The company Italtel S.p.A. was incorporated on October 12, 2020 under the name "Nuovo Polo Impiantistico S.r.l." and subsequently converted into a joint-stock company. On April 1, 2022, the company changed its name to Italtel S.p.A.

Further information on net equity items is reported in Notes 24, 25 and 26

Notes to the consolidated financial statements

Note 1 - Introduction

Italtel S.p.A. (formerly Nuovo Polo Impiantistico S.p.A.) is a joint-stock company with registered office in Rome, Viale Luigi Schiavonetti 270/F (Rome) and secondary offices in Milan, Via Caldera 21.

The company was incorporated on October 12, 2020 as "Nuovo Polo Impiantistico S.r.l." and is 100% owned by Gruppo PSC S.p.A. (in short PSC S.p.A.). Subsequently, the Shareholders' Meeting passed a resolution to legally convert the company into "Nuovo Polo Impiantistico S.p.A." On April 1, 2022, the Deed of Transfer ("Deed of Recognition") was executed, involving the assumption by Nuovo Polo Impiantistico S.p.A. of the entirety of the corporate assets of Italtel (Assumption), the date on which the assuming company changed its name to Italtel S.p.A.

Italtel S.p.A. is currently owned 53.66% by PSC S.p.A., 28.62% by Clessidra Capital Credit SGR S.p.A. and 17.72% by TIM S.p.A.

These financial statements were approved by the Board of Directors on March 29, 2023 and authorized for publication in accordance with law.

All the amounts reported in the consolidated financial statements are expressed in thousands of Euro, unless otherwise indicated.

Compared to December 31, 2021 and April 1, 2022, Nueva Italtel Colombia S.a.S was incorporated and Italtel UK Ltd and Italtel Belgium S.r.l. were dissolved, having completed the liquidation process.

Note 2 Method of presentation of the financial statements and accounting principles adopted

Basis of presentation

The consolidated financial statements at December 31, 2022 have been prepared in accordance with the general principles of accrual, consistency of presentation, materiality and aggregation, prohibition of offsetting, and comparability of information.

The Italtel Group's primary reporting is based on operating segments. With regard to the operating segments, only a single operating segment was identified as the benefits deriving from the sale of goods and provision of services, which characterizes the activities of the Group, are not significantly different based on the goods sold and services provided.

These consolidated financial statements, relating to the year ended December 31, 2022, are presented in Euro, being the currency in which the Group operates and consist of the Balance Sheet, Income Statement, Comprehensive Income Statement, Statement of changes in Shareholders' Equity, Cash Flow Statement and the Notes to the financial statements and are audited by EY S.p.A. in accordance with Article 14 of Legislative Decree No. 39 of January 27, 2010.

Italtel S.p.A. has prepared consolidated financial statements at December 31, 2022 in accordance with IFRS¹. These standards were applied as of January 1, 2022, and the first financial statements ending December 31, 2022, with a comparison to the financial statements at December 31, 2021, are published in 2023.

The financial statements of Italtel S.p.A. fulfil the requirement for a true and fair view of the balance sheet, financial position, income statement and cash flows of the company, in compliance with the general principles of going concern, the accruals concept, reliable presentation, correct classification, prohibition of offsetting and comparability of information.

¹ The term IFRS includes all of the "International Financial Reporting Standards", all of the International Accounting Standards ("IAS") and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC"), endorsed by the European Commission and contained in the relative E.U. Regulations.

International Accounting Standards

The Company prepared the consolidated financial statements at December 31, 2021 in compliance with the IFRS issued by the IASB and endorsed by the European Commission. IFRS also include all the revised international accounting standards ("IAS") and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

The accounting standards and basis of preparation used until April 1, 2022 by Nuovo Polo Impiantistico S.p.A. were in accordance with Italian GAAP.

In the first-time application of IFRS for the preparation of the 2022 financial statements, it was necessary to restate the 2021 figures for comparative purposes to reflect the changes generated by the adoption of IFRS. Reconciliations and a description of the effects of the transition from Italian GAAP to IFRS are provided in Note 6 to which reference is made. The effects of the transition to IFRS result from changes in accounting standards and, consequently, are reflected in opening shareholders' equity as of January 1, 2021. The transition to IFRS has required maintaining the estimates previously made as per Italian GAAP, unless the adoption of new IFRS has required the drafting of estimates using different methods.

The IASB (International Accounting Standard Board) and IFRIC (Financial Reporting Interpretation Committee) have approved a number of changes to IFRS (International Financial Reporting Standards) and certain interpretations, some of which already published in the Official Journal of the European Union, applicable for the first time at January 1, 2022 or changes and interpretations already issued but applicable to financial statements beginning after January 1, 2023. The changes made are shown below with indication of relevance or otherwise to the Company.

Changes to accounting standards, interpretations and amendments applied from January 1, 2022:

- Commission Regulation (EU) 2021/1080 of June 28, 2021, published in Official Journal L 234/90 on July 2, 2021, endorsing the following amendments published on May 14, 2020 by the IASB:
 - Amendments to IFRS 3 Business Combinations, with the aim of: (i) completing the update of references to the Conceptual Framework to Financial Reporting in the accounting standard; (ii) provide clarification regarding the assumptions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities assumed as part of a business combination transaction; and (iii) make explicit that contingent assets may not be recognized as part of a business combination;
 - Amendments to IAS 16 Property, Plant and Equipment that define that revenues from the sale of assets produced by an asset before the asset is ready for its intended use are charged to the income statement together with the related production costs;
 - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets in order to provide clarification on how to determine the onerousness of a contract;
 - Annual Improvements 2018-2020: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and Illustrative Examples of IFRS 16 Leases. The changes are mainly technical and editorial in terms of the accounting standards.

The accounting standards, interpretations and amendments issued by the IASB/IFRIC and endorsed by the European Commission, applicable as of January 1, 2023, are as follows:

- Commission Regulation (EU) 2022/357 of March 2, 2022, published in Official Journal L 68 of March 3, 2022, endorsing the following amendments:

- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies," issued in February 2021. The amendments are intended to support companies in deciding which accounting policies to illustrate in the financial statements.
- "Amendments to IAS 8 - Definition of Accounting Estimates," issued in February 2021. The amendments are intended to support companies in distinguishing between changes in accounting policies and changes in accounting estimates.
- Commission Regulation (EU) 2022/1392 of August 11, 2022, published in Official Journal L 211 of August 12, 2022, adopting amendments to IAS 12 "Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction." These amendments clarify how companies should account for deferred taxes on transactions such as leases and decommissioning obligations, and aim to reduce diversity in the recognition of deferred tax assets and liabilities on leases and decommissioning obligations.

The accounting standards, interpretations and amendments issued by the IASB/IFRIC that have not yet been transposed by the European Commission, applicable as of January 1, 2024, are as follows:

- "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current," published by the IASB in January 2020 and October 2022. The purpose of the document is to clarify how to classify payables and other short or long-term liabilities.
- Amendments to IFRS 16- Lease Liability in a Sale and Leaseback, published in September 2022 by the IASB.

The Directors do not expect these amendments to have a significant impact on the consolidated financial statements.

Consolidation method

The consolidated financial statements include the financial statements of Italtel S.p.A. and of the directly and indirectly controlled Italtel S.p.A. Group companies.

The financial statements used for the consolidation were prepared at December 31, 2022 and are those prepared and approved by the Board of Directors of the individual companies, appropriately adjusted, where necessary, in accordance with the accounting policies of the parent company.

The subsidiaries whose consolidation would not have significant effects both from a quantitative and qualitative viewpoint were not included in the consolidation scope and therefore not consolidated under the line-by-line method, to ensure an accurate representation of the balance sheet, income statement and financial situation of the Italtel Group. These entities were recognized at cost.

The criteria adopted for the line-by-line consolidation of the fully consolidated subsidiary companies were as follows:

- the assets and liabilities, charges and income are recorded line-by-line, attributing to minority shareholders, where applicable, the relative share of net equity and of the net result, from the date on which control is assumed to that on which it is transferred outside the Group.
- the business combinations, in which the control of an entity is acquired, are recorded applying the purchase method. The acquisition cost is represented by the Fair Value, at the purchase date, of assets sold, of liabilities incurred and of capital instruments issued, and any other accessory charges directly allocated. The difference between the acquisition cost and the current value of the assets and liabilities acquired, if positive, is allocated to Goodwill, and if negative is recorded in the income statement;
- the gains and losses from operations between fully consolidated companies, not yet realized with third parties are eliminated if significant with the reciprocal payables and receivables also eliminated, in addition to the costs and revenues and the financial income and charges;
- the gains and losses deriving from the sale of a share of the investment in a consolidated company are recorded in the income statement for the amount corresponding to the difference between the sales price and the corresponding fraction of the assets and liabilities sold.

The holdings in companies in which the Italtel Group has a significant influence (hereafter associated companies), which is presumed to exist when the percentage holding is between 20% and 50%, are recognized under the net equity method, with the exception of the cases in which the application of this method to the investment does not impact the balance sheet and financial situation of the Italtel Group. In these cases, the investment is carried at cost. The application of the net equity method is described below:

- the book value of the investments is aligned to the net equity of the company adjusted, where necessary, to reflect the application of the accounting policies of the Parent Company and include, where applicable, the recording of any goodwill identified at the moment of the acquisition;
- the profits and losses pertaining to the Italtel Group are recognized in the consolidated income statement at the date when the significant influence begins and until the date of termination. Where losses in the investee result in a negative net equity, the book value of the investment is written down and any excess pertaining to the Group is recorded in a specific provision only when the Italtel Group is committed to comply with legal or implicit obligations of the associated company or in any case to cover the losses. The equity changes of the associated companies not derived from the income statement are recorded directly as adjustments to the reserves;
- the gains and losses not realized generated on operations between the Parent Company/Subsidiaries and the associated companies are eliminated for the part pertaining to the Italtel Group. The losses not realized are eliminated except when they represent a permanent impairment in value.

The financial statements of the companies in the consolidation scope are prepared in the primary currency in which they operate (the functional currency). The consolidated financial statements were prepared in Euro, which is the functional currency of the Parent Company. The rules for the translation of financial statements of companies which operate in a currency other than the Euro are the following:

- the assets and the liabilities were translated using the exchange rate at the balance sheet date;
- the costs and revenues were translated at the average exchange rate for the period;
- the "Translation reserve" includes both the foreign exchange differences generated from the translation of foreign currency transactions at a rate different than at the balance sheet date and those generated from the translation of the opening shareholders' equity at a different rate than that at the balance sheet date;
- the goodwill and the Fair Value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the reporting date;
- in the preparation of the consolidated cash flow statement the average exchange rates for the year are used to convert the cash flows of foreign subsidiaries.

The exchange rates applied are reported below.

	2022 average	December 31, 2022	2021 average	December 31, 2021
Argentinean Peso (*)	142.4061	188.5033	112.4215	116.3622
Brazilian Real	5.296933	5.6386	6.3779	6.3101
UK Sterling	0.8580	0.88693	0.8596	0.84028
US Dollar	1.031011	1.0666	1.1827	1.1326
Polish Zloty	4.7067	4.6808	4.5652	4.5969
Peruvian Nuevo Sol	3.960922	4.0459	4.5914	4.5193
Saudi Arabian Riyal	3.8662	3.9998	4.4353	4.2473
Chilean Peso	921.0133	913.82	898.39	964.35
Colombian Peso(**)	5,050.705	5,172.47	-	-

(*) The above table reports the average exchange rate of the Argentinian Peso for information purposes only. In the conversion of the Argentinian company's income statement, the year-end rate at December 31, 2022 was used and applied to the financial statements restated at current values in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies.

(**) The average exchange rate for the last two months of 2022, the period in which the transactions of the newly formed Colombian company took place, was used to convert the income statement of the Colombian company.

The lists of companies directly or indirectly held by the Parent Company are reported in Note 50.

Hyperinflation in Argentina - Application of IAS 29 - Financial Reporting in Hyperinflationary Economies.

In Argentina, as a result of a long observation period on inflation rates and other indicators, global consensus was reached on the verification of the conditions that determine the presence of hyperinflation in accordance with international accounting standards (IFRS International Financial Reporting Standards). It follows that, as from July 1, 2018, all companies operating in Argentina were required to apply the standard IAS 29 - Financial Reporting in Hyperinflationary Economies when preparing financial reports.

With reference to the Group, consolidated financial results at December 31, 2022 include the effects deriving from the application of the above-mentioned accounting standard, with effect from January 1, 2019.

In accordance with the standard IAS 29, the restatement of values in the entire financial statements requires the application of certain procedures and a valuation process by the Group concerning:

- in relation to the income statement, costs and revenues were revalued by applying the general consumer price index in order to reflect the loss of the local currency's purchasing power at December 31, 2022. In order to restate the income statement into Euro, the year-end rate at December 31, 2022 was consistently applied instead of the average exchange rate for the period.
- As regards the balance sheet, monetary items were not restated since they are already expressed in the measuring unit current at the end of the year; non-monetary assets and liabilities were instead revalued to reflect the local currency's loss of purchasing power from the date on which the assets and liabilities were initially recorded, to year-end at December 31, 2022;
- the effect restated on the net monetary position for the part generated in 2022 was a charge of Euro 892 thousand and was recognized in the income statement among financial expenses.

Summary of the main accounting standards and policies

The Consolidated Financial Statements were prepared in accordance with the cost criteria, except in cases specifically described in the following notes where the fair value was applied and are presented, where not otherwise indicated, in thousands of Euro.

The principal measurement criteria utilized are described below.

A- Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any loss in value. The cost includes all charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition. Subsequent costs are only capitalized where they increase the future economic benefits of the asset to which they relate. All other costs are recognized in the separate income statement when incurred.

The charges incurred for the maintenance and repairs of an ordinary nature are directly charged to the income statement in the year in which they are incurred. The capitalization of the costs relating to the expansion, modernization or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach. Similarly, the replacement costs of components relating to complex assets are allocated as assets and depreciated over their residual useful life while the residual value of the component subject to replacement is recorded in the income statement.

The initial value of property, plant and equipment is adjusted for depreciation on a systematic basis, calculated on a straight-line basis when the asset is available and ready for use, based on the estimated useful life, net of the residual Recoverable Value.

The useful life estimated by Italtel of the various categories of assets is as follows:

- | | |
|---------------------------------------|--------------|
| ▪ Real estate | 33 years |
| ▪ Plant and machinery | 6 - 10 years |
| ▪ Industrial and commercial equipment | 4 years |
| ▪ Other assets | 4 - 9 years |

The useful life of property, plant and equipment and their residual value are reviewed annually and updated, where necessary, at the end of each year.

Land is not depreciated.

When the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is made separately for each part of the asset, with the application of the component approach principle.

In relation to the application of this policy, please refer to Note 2 "Basis of Presentation".

B – Right-of-use on third-party assets

From January 1, 2019, operating leases, in which the lessor substantially retains the risks and rewards associated with ownership of the assets, are classified in accordance with IFRS 16. The accounting representation of leases payable is through the recognition in the balance sheet of a liability of a financial nature, represented by the present value of future rentals, against the recognition to assets of the right-of-use of the leased asset.

The present value of financial liabilities for leasing contracts includes the following payments:

- fixed payments;
- variable payments based on an index or rate;
- exercise price of a redemption option, where the exercise of the option is considered reasonably certain;
- payment of penalties to terminate the contract, if the exercise of the option to terminate the contract is considered reasonably certain;
- optional payments after the non-cancelable period, if the extension of the contract beyond the non-cancelable period is considered reasonably certain.

Future payments are discounted using the incremental borrowing rate.

This rate is the free risk rate of the country in which the contract is negotiated and based on the term of the contract and then adjusted according to the Group's credit spread and the local credit spread.

On the effective date of the contract, the right-of-use is recorded at cost, which includes: the amount of the initial valuation of the lease liability, any payments due for the lease made on or before the effective date, the initial direct costs incurred for entering into the contract, and the present value of the estimated restoration and decommissioning costs under the contract, net of any incentives received. Thereafter, the right-of-use is amortized over the contractual life (or the useful life of the asset if shorter), subject to any impairment, and adjusted for any restatement of the lease liability.

The assets held through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to Italtel, are recognized as assets of Italtel at their fair value or, if lower, at the present value of the minimum lease payments.

Lease payments associated with the following types of leases are recognized in the income statement on a straight-line basis over the term of the respective leases:

- contracts for which the underlying asset is a low-value asset;
- contracts for which the payment for the right to use the underlying asset varies according to changes in facts or circumstances (unrelated to sales performance), which could not be predicted at the initial date.

The corresponding liability due to the lessor is recorded in the financial statements under financial payables. The assets are depreciated applying the same criteria and rates previously indicated for the other tangible assets, except where the duration of the lease contract is lower than the useful life and there is not a reasonable certainty of the transfer of ownership of the asset at the normal expiry date of the contract; in this case, the depreciation is over the duration of the lease contract. Any gains realized on the sale of leased assets are recorded under other liabilities and recorded in the income statement over the duration of the lease contract.

Payments are divided into principal and interest portions. The interest rate is calculated to produce a constant interest rate on the outstanding debt.

C – Intangible Assets

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. These assets are recorded at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortization, and any loss in value. Amortization begins when the asset is available for use and is recognized on a straight-line basis in relation to the residual possibility of use and thus over the estimated useful life of the asset, net of the residual recoverable value.

(i) *Research and Development Costs*

Research and development costs are recorded in the income statement in the year incurred, with the exception of development costs recorded under intangible assets when they satisfy the following conditions:

- the project is clearly identified and the related costs are reliably identifiable and measurable;
- the technical feasibility of the project is demonstrated;
- there is a clear intention and capacity to complete the project and sell the intangible assets generated from the project;
- a potential market exists or, in the case of internal use, the use of the intangible asset is demonstrated for the production of the intangible assets generated by the project;
- the technical and financial resources necessary to complete the project are available.

The amount of development costs are recorded under intangible assets from the date in which the result generated from the project is commercialized. Amortization is on a straight-line basis over a period of 3 years, which represents the duration of the estimate of the useful life of the expenses capitalized.

(ii) *Industrial patents and intellectual property rights, licenses and similar rights*

The charges relating to the acquisition of industrial patents and intellectual property rights, licenses and similar rights are capitalized based on the costs incurred for their acquisition.

Amortization is calculated on a straight line basis in order to allocate the costs incurred for the acquisition of the right over the shorter between the expected utilization and the duration of the relative contracts, from the moment in which the rights acquired are exercisable.

In relation to the application of this policy, please refer to Note 2 "Basis of Presentation".

D Loss in value of intangible and tangible assets

(i) Assets (intangible and tangible) with finite useful life

At each balance sheet date, the tangible and intangible fixed assets with a finite life are analyzed to identify the existence of any indicators, either internally or externally to the Italtel Group, of impairment. Where these indications exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down in the income statement. The Recoverable Value of an asset is the higher between the fair value less costs to sell and its value in use, where this latter is the fair value of the estimated future cash flows from the use of the asset and those from its disposal at the end of the useful life. In defining the Recoverable Value, the expected future cash flows are discounted utilizing a pre-tax discount rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate sufficient independent cash flows, the realizable value is determined in relation to the cash-generating unit to which the asset belongs.

A reduction in value is recognized in the income statement when the carrying value of the asset, or of the cash-generating unit to which it is allocated, is higher than the recoverable amount. Where the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortization had been recorded.

E - Financial Assets and Financial Liabilities

a) Financial assets measured at amortized cost

Financial assets for which the following requirements are verified are classified to this category: (i) the asset is owned as part of a business model whose objective is to own the asset for the purpose of collecting contractual cash flows; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the amount of principal to be repaid. These are mainly trade receivables, financial assets and other assets.

Trade receivables that do not contain a significant financial component are recognized at the price defined for the relevant transaction (determined in accordance with IFRS 15 Revenue from Contracts with Customers).

The valuation criterion subsequent to the initial recording is at amortized cost, using the effective interest rate method. Long-term receivables for which there is no interest rate are accounted for by discounting future cash flows at the market rate if the increase in receivables is due to the passage of time, with subsequent recognition of the interest portion in the income statement under "Financial income and (expense)."

With reference to the impairment model, the Group evaluates receivables by adopting an expected loss logic ("Expected Loss").

For trade receivables the Group adopts a simplified approach to valuation which does not require the recording of periodic changes in credit risk, but rather the estimation of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (so-called lifetime ECL).

Specifically, the policy implemented by the Group involves a matrix approach according to the following steps:

- historical analysis of losses on trade receivables;
- definition of appropriate customer groupings according to credit risk characteristics highlighted by historical analysis;
- determination of the historical loss rate by customer grouping based on the losses recorded in relation to the amount of loans in the reporting period or in relation to due date bands if the relevant information is available without undue effort;
- possible adjustment of the historical loss rate based on current and prospective information (changes in the economic, regulatory and technological environment, industry outlook, etc.).

In the absence of a reasonable expectation of recovery, trade receivables are fully written down.

With regard to long-term financial receivables, the Group adopts the so-called general approach for valuation, which requires checking for any increase in credit risk at each balance sheet date.

Write-downs made in accordance with IFRS 9 and any positive effects associated with releases or reversals are recognized to the income statement.

b) Financial assets at Fair value through the consolidated income statement ("FVOCI")

Financial assets for which the following requirements are met are classified in this category: (i) the asset is held as part of a business model whose objective is achieved by both collecting contractual cash flows and selling the asset; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

These assets are initially recognized in the financial statements at their Fair Value increased by any ancillary costs directly attributable to the transactions that generated them. In subsequent measurement, the valuation made at recognition is updated, and any changes in Fair Value are recognized to the comprehensive income statement. With reference to the impairment model reference should be made to a) above.

c) Financial assets at Fair Value through the income statement ("FVPL")

Financial assets not classified in any of the previous categories (i.e., residual category) are classified in this category. These are mainly derivative instruments that do not meet the requirements for hedge accounting.

Assets in this category are recorded at Fair value upon initial recognition. Ancillary costs incurred at the time of asset recognition are expensed immediately to the income statement. In subsequent measurement, FVPL financial assets are measured at Fair value.

Gains and losses arising from changes in fair value are recognized in the income statement in the period in which they are recognized, under "Financial income (expense)." Purchases and disposals of financial assets are accounted for on the settlement date.

Financial assets are removed from the balance sheet when the relevant contractual rights expire, or when all risks and rewards of ownership of the financial asset are transferred.

(d) Financial liabilities (excluding derivative instruments)

Financial liabilities include financial payables and trade and other payables.

Payables to banks and other lenders are initially recorded at Fair value less directly attributable transaction costs and are subsequently measured at amortized cost, applying the effective interest rate method. When there is a change in the expected cash flows, the value of the liabilities are recalculated to reflect this change, based on the present value of the new expected cash flows and on the internal yield initially determined.

Lease liabilities are initially measured at the present value of future payments.

Trade payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Payables to suppliers are classified as current liabilities if payment will be made within one year of the balance sheet date. Otherwise, such payables are classified as non-current liabilities. Trade and other payables are initially recognized at Fair value and subsequently measured based on the amortized cost method.

Financial liabilities are derecognized when the underlying obligation is discharged, canceled or fulfilled.

Measurement of the Fair value of financial instruments

For the determination of the Fair value of financial instruments listed on active markets (bid price), the relative market quotation is used at the balance sheet date. In the absence of an active market, the Fair value is determined utilizing valuation models which are principally based on financial variables, as well as taking into account, where possible, the prices recognized in recent transactions and the quotations of similar financial instruments.

Hierarchical levels of Fair value measurement

Derivative financial instruments and those available-for-sale are measured at Level 2 Fair value.

In relation to the financial instruments recorded in the balance sheet at Fair value, IFRS 7 requires that these values are classified based on the hierarchy levels which reflects the significance of the input utilized in the determination of Fair value. The following levels are used:

- Level 1 - assets or liabilities subject to valuation listed on an active market;
- Level 2 - input based on prices listed at the previous point, which are directly observable (prices) or indirectly (derivatives from the prices) on the market;
- Level 3 - input which is not based on observable market data.

F – Inventories

Inventories are recorded at the lower of purchase or production cost and realizable value represented by the amount that the Company expects to obtain from their sale in the normal course of operations. The cost of raw material, consumables, finished products and goods is calculated applying the FIFO method.

G - Contract work-in-progress

Contract work-in-progress, where not completed at the reporting date, is valued in accordance with the percentage of completion method, in which the costs, revenues and margins are recognized based on the advancement of the activities, determined with reference to the ratio between the costs incurred at the measurement date and the total expected costs. The measurement of contract work-in-progress reflects the current best estimate of the programs on the individual contracts. Periodically the estimates are updated. Any economic effects are recognized in the period in which the updates are made. Where the completion of an order may give rise to a loss, such will be recognized in its entirety in the period in which such is reasonably forecast on the basis of the provisions of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets." The contract work-in-progress is stated, net of any write-downs and/or losses on completion, in addition to advances concerning the contract in course of execution. This analysis is carried out contract by contract: where a positive differential emerges (due to works in progress greater than the amount of advances), the differences are classified to the account assets for works in progress; where this difference is negative the difference is classified among liabilities to the account "Advances on contract work-in-progress". Contract revenues include: contractually agreed fees as well as additional variable elements (work variants, price revisions, incentives, Claims and penalties). Variable components of contract revenues are estimated at the expected value or to the extent of the most probable amount. Variable fees are, moreover, recognized only to the extent that it is considered highly probable that when the uncertainty associated with the related valuation is subsequently resolved, there will be no significant downward adjustment in the amount of revenue recognized. The costs include: all costs referring directly to the order, costs attributable to the order activity in general and which may be allocated to the same order, in addition to any other cost which may be specifically recharged to the granting party according to the contract.

H - Equity Investments

Investments in subsidiaries, associates and joint ventures are accounted for using the equity method in accordance with the provisions of IAS 27 in the separate financial statements. Any losses in excess of shareholders' equity are recognized in the financial statements under the Provisions for other risks and charges, to the extent that the investor is committed to fulfilling its legal or implied obligations to the investee company or otherwise covering its losses. The separate financial statements include the share of results of subsidiaries and associated companies, accounted for by the equity method, from the date when significant influence begins until such influence ceases. Dividends received are recognized as a reduction in the value of equity investments. Equity investments are derecognized when the contractual rights to the cash flows from the assets expire or when the financial asset is disposed of by transferring substantially all the risks and rewards associated with it.

In relation to the application of this policy, please refer to Note 2 "Basis of Presentation".

Investments in other companies (other than investments in subsidiaries, associated companies and joint ventures): They are measured at fair value or at cost in the case of unlisted investments or investments for which fair value is unreliable or may not be determined, adjusted for any impairment.

I - Cash and cash equivalents

Cash and cash equivalents principally include cash, bank deposits on demand and other highly liquid short-term investments (transformed into liquidity within ninety days). The elements included in net liquidity, if in Euro, are recognized at the nominal value corresponding to the Fair value and if in another currency at the current exchange rate at the balance sheet date. In order to calculate the net liquidity, the current accounts included in the account "Short-term financial liabilities" are deducted from the cash and cash equivalents, only if such offsetting has a legal basis.

J - Assets held-for-sale and discontinued operations

Assets held-for-sale and discontinued operations or disposal Groups whose carrying amount will be recovered primarily through sale rather than through their continued use are classified as held for sale and presented separately from other assets and liabilities in the statement of financial position in accordance with IFRS 5. IFRS 5 requires that details of the major classes of assets and liabilities classified as held-for-sale be provided in the balance sheet or the notes to the financial statements.

The conditions that must be met before a discontinued asset or Group can be defined as “available-for-sale” are:

- 1) the asset (or Group being divested) must be available for immediate sale in its current condition, subject to conditions that are customary and usual for the sale of such assets (or Group being divested);
- 2) the sale must be highly probable.

A Discontinued Operation represents a portion of the entity that has been disposed of or classified as held-for-sale, and:

- (i) represents an important sector of activity or geographical area of operations; or
- (ii) is part of a coordinated plan to divest a major line of business or geographic area of operations; or
- (iii) is a subsidiary acquired solely for the purpose of resale.

The results of discontinued operations - whether discontinued or classified as held for sale - are shown separately in the separate income statement, net of tax effects. The corresponding values relating to the previous year, where present, are reclassified and are shown separately in the separate income statement, net of the tax effect, for comparative purposes.

Non-current assets held for sale and discontinued operations classified as held for sale are initially recognized in accordance with the applicable IFRS to each asset and liability and subsequently as the lower between the book value and the relative Fair value, less selling costs. Any subsequent impairments are recognized directly as an adjustment to the non-current assets held-for-sale and discontinued operations classified as held for sale and to the income statement. On the other hand, a reversal of an impairment loss is recognized for each subsequent increase in the Fair value of an asset net of costs to sell, but only up to the amount of the previously recognized total impairment loss. In compliance with the provisions of IFRS 5 (non-current assets held for sale and discontinued operations), non-current assets classified as held for sale or discontinued operations are not depreciated. Financial and other expenses attributable to the liabilities of a discontinued operation classified as held for sale should continue to be recognized.

K - Shareholders' equity

(i) *Share capital*

The share capital is the amount of the subscribed and paid-in capital of the Parent Company. The costs strictly related to the issue of new shares are classified as a reduction of the share capital, net of any deferred tax effect.

(ii) *Reserves*

These concern specific capital reserves relating to the Parent Company. In particular, they include the legal reserve through provisions recognized in accordance with Article 2430 of the Civil Code, which are increased by 1/20th of the net profits of the Parent Company until the reserve reaches 1/5th of the share capital of the Parent Company. Once 1/5th of the share capital is reached the reserve - if subsequently reduced for any reason - is integrated with annual provisions as indicated above.

(iii) *Treasury shares*

In the case in which the Parent Company or an entity of the Italtel Group acquires shares of the Parent Company the value of the shares acquired is deducted from consolidated net equity until the shares are cancelled or sold. The value of treasury shares comprises the acquisition costs under the FIFO (First In First Out) method. The economic effects deriving from any subsequent sale are recorded to net equity.

(iv) *Other reserves including the net result*

These include the results for the period and previous periods for the part not distributed or provisioned to reserves (in the case of profits) or recapitalized (in the case of losses), the fair value of the hedging derivatives on future transactions, net of the relative tax effect (see point E - Derivative Instruments above) and the effects deriving from the conversion into Euro of the financial statements of foreign companies whose functional currency is a currency other than the Euro.

L – Employee benefit provisions

The Group recognizes different forms of defined benefit plans and defined contribution plans, in line with the local conditions and practices in the countries in which it carries out its activities. The premiums paid for defined contribution plans are recorded in the income statement for the part matured in the year.

The defined benefit plans, which include employee leaving indemnities in accordance with article 2120 of the Civil Code, are based on the period of employment service and on the remuneration received by each employee over a pre-determined period of employment. In particular, the liability relating to employment leaving indemnity is recognized in the financial statements based on the current actuarial value, as qualifying as a benefit due to employees based on a defined benefit plan. The recognition in the financial statements of a defined benefit plan requires an estimate of the value of the services matured by employees for their employment service in current and previous years through actuarial techniques and the discounting of these services in order to determine the present value of the commitments. The determination of the present value of Italtel S.p.A.'s commitments is made using the "Projected Unit Credit Method." This method, which relates to the "matured benefits" techniques, considers each period of service by employees at the company as a source of an additional unit of right: the actuarial liability must be quantified only on the basis of the service matured at the valuation date; therefore, the total liability is normally proportioned based on the ratio between the service years matured at the valuation date and the total number of years at the expected settlement of the benefit. In addition, this method considers future increases in remuneration, of whatever nature (inflation, merit, contractual renewals etc.), up to the termination of employment.

In 2013, the Group applied for the first time the new version of IAS 19 "Employee benefits" (hereafter "IAS 19 R"), issued by the IASB on June 16, 2011 and approved by the European Union on June 5, 2012 with Regulation No. 475/2012.

The application of IAS 19 resulted in the immediate recognition of actuarial profits and losses directly to Other comprehensive profits (losses) as the option to apply the corridor method was no longer applicable, which Italtel utilized until 2012.

With the introduction of Legislative Decree No. 124/93, the possibility is established to allocate a portion of employee leaving indemnity for the financing of the complementary pension. The 2007 Finance Law, which postponed to January 1, 2007 the introduction of the new complementary pension regulation established by Law No. 296/2006, establishes for the conferment to the complimentary pension of the employee leaving indemnity maturing, explicitly or implicitly, by June 30, 2007.

Following the publication of the enacting decree of the 2007 Finance Act in relation to the Complementary Pension Reform concerning the Employee Leaving Indemnity, the accounts prepared after the publication of these decrees must apply the valuation criteria in accordance with the new regulations.

Account was taken of the effects deriving from the new provisions, measuring for IFRS purposes only the liability relating to the Employee Leaving Indemnity matured that remained in the company, as the portion maturing is paid to a separate entity (complementary pension or INPS fund) without these payments resulting in further obligations on the company related to the employment service in the future and are therefore considered defined contribution pension plans and recognized as such.

Also for the employees that, explicitly, decided to maintain the Employee Leaving Indemnity in the company, and therefore in accordance with the previous regulations, the Employee Leaving Indemnity matured from January 1, 2007 was paid to the Treasury Fund managed by INPS and was therefore considered a defined contribution plan.

M - Provisions for risks & charges

Provisions for risks and charges relate to costs and expenses of a defined nature and of certain or probable existence whose amount or date of occurrence is uncertain as of the balance sheet date. Provisions are recorded when: (i) the existence of a current obligation is probable, legal or implied, deriving from a past event; (ii) it is probable that compliance with the obligation will result in a charge; (iii) the amount of the obligation can be reasonably estimated. Provisions are recorded at the value representing the best estimate of the amount that the Company would rationally pay to discharge the obligation or to transfer it to a third party at the balance sheet date. When the financial effect of the time is significant and the payment dates of the obligations can be reliably estimated, the provision shall be discounted at the average cost of debt to the company; the increase of the provision due to the passing of time is recorded in the income statement in the account "Net financial income/(expenses)".

The costs which the company must incur to implement restructuring programs are recorded in the year in which the program is formalized and it is expected that the restructuring will take place.

The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discounting rate; the revision of estimates are recorded in the same income statement accounts in which the provision was recorded.

N - Recognition of sales and services revenues

In accordance with IFRS 15, revenues are recognized on the transfer of control of goods or services to the customer, for an amount which reflects the payment which the company deems it is entitled to in exchange for the transfer of goods or services to the customer. The process underlying revenue recognition follows the stages contained in IFRS 15:

- 1) Contract identification: takes place when the parties approve the contract (with commercial substance) and identify the respective rights and obligations: that is, the contract must be legally enforceable and the rights to receive goods and/or services and the terms of payment can be clearly identified, and the company considers it probable that the payment will be collected;
- 2) Identifying performance obligations: the principal performance obligations are identified, that is, the commitment to transfer goods and services that are distinct;
- 3) Determining the transaction price: this is the overall amount contractualised with the counterparty for the entire contractual duration; the company has established that the contractual duration is that deriving from the contractual obligations between the parties;
- 4) Allocating the transaction price to the performance obligation: the allocation takes place proportionally to the respective standalone sales price, determined on the basis of price lists (where present) or estimated by applying an appropriate margin to the purchase/production cost of the good/service.
- 5) Revenue recognition: revenues are recognized net of returns, discounts and allowances and recorded in relation to revenue-type characteristics:
 - Services revenue
Services revenue is recognized in a separate income statement with reference to the service's stage of completion. Revenues from contract work-in-progress are recorded with reference to the advancement of the work (completion method percentage).
 - Sales revenue
Sales revenue is recognized on delivery when the control of the goods is transferred to the customers. Equipment that is sold separately to services is invoiced on delivery.

The Group includes all or part of the amount of variable consideration in the transaction price only to the extent that it is highly likely that when the uncertainty associated with the variable consideration estimated under the expected value or most probable value method is subsequently resolved, there will be no significant downward adjustment to the amount of cumulative revenue recognized.

The recognition of revenues may generate the recording of an asset or liability deriving from contracts. Specifically:

- Assets deriving from a contract represent the right to payment in exchange of goods or services which have been transferred to the customer, when the right is conditional on something other than the passage of time;
- Liabilities deriving from a contract represent the obligation to transfer goods or services to the customer, for which the company has received (or is owed) a payment from the customer.

O - Public Grants

Public grants are recognized when there is a reasonable certainty that the conditions established by the Government Bodies for their concession will be realized and are recognized in direct correlation to the costs incurred.

The public grants relating to property, plant and equipment are recorded as deferred revenue in the account "Other liabilities" under non-current liabilities and "Other payables and liabilities" of current liabilities, respectively for the long and short-term portions. The deferred revenue is recorded in the income statement as income on a straight-line basis in accordance with the useful life of the asset to which the grant was received.

Operating grants are recorded in the income statement in the account "Other income".

P - Recognition of costs

Costs are recorded when relating to goods and services sold or consumed in the year or when there is no future utility.

Q – Income taxes

Current income taxes are calculated based on the estimate of the assessable income for the year, applying the current tax rates at the balance sheet date to calculate the payable to the tax authorities.

Deferred tax assets/liabilities are calculated on the temporary differences between the assessable base of the assets and the liabilities and the relative book values in the financial statements. The deferred tax assets are recognized only for those amounts for which it is probable there will be future assessable income to recover the amounts.

Deferred taxes are calculated taking into account the rate established for the reversal period and the applicable rate or substantially applicable at the reporting date.

Current and deferred income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognized directly to equity.

Other taxes not related to income, such as taxes on property, are included under “Operating expenses”.

Taxes are compensated when the income tax is applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected.

R - Translation of accounts in currencies other than the Euro

Foreign currency transactions are converted into Euro using the exchange rate at the transaction date.

The foreign exchange gains and losses resulting from the settlement of transactions and from the translation at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

S - Dividends

They are recorded when the right of the shareholders to receive the payment arises, which normally occurs at the shareholders' meeting for the distribution of dividends. Dividends are recognized to net profit (loss) unless the company has opted for the equity method, in which case the dividends are recognized as a reduction in the book value of the investment.

Note 3 Use of estimates

The preparation of the financial statements in accordance with applicable accounting standards has required the use of accounting estimates and assumptions based on complex and/or subjective judgments, historical experience, and other factors that are considered to be reasonable in relation to present circumstances and knowledge available at the date of the financial statements. The utilization of these accounting estimates impacts the value of the assets and liabilities and the information on the contingent assets and liabilities at the balance sheet date, as well as the amount of the revenues and costs in the period. actual results may differ from estimates due to the uncertainty regarding the assumptions and conditions upon which the estimates are based. The estimates and related assumptions are constantly revised. The effects of these revisions are recognized through profit or loss in the period in which the estimates are revised.

Note 4 Significant accounting policies

The accounting policies which require greater subjectivity by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the rested consolidated financial statements are briefly described below:

- **Impairments:** in accordance with the accounting policies applied by the Group, the tangible and intangible assets with finite life are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of the existence of the above-mentioned indicators requires the Directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is determined that there may be a potential impairment loss, the Group determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impact upon the valuations and estimates made by the Directors.

- Deferred taxes: the accounting of the deferred tax assets is made on the basis of the expectations of future assessable income. The valuation of the expected assessable income in order to record the deferred tax asset depends upon factors which may change over time and result in significant effects on the valuation of the deferred tax assets.
- Provisions for risks and charges: The value of the provisions recorded in the financial statements relating to these risks represents the best estimate at that date made by Management. This estimate results in the adoption of assumptions concerning factors which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directors for the preparation of the company's consolidated financial statements.

Note 5 Presentation of the financial statements

The financial statements adopted are as follows:

- for the Balance Sheet, current and non-current assets and current and non-current liabilities are presented separately. Current assets are those that are intended to be realized, sold, or consumed in the Company's normal operating cycle; current liabilities are those that are expected to be settled in the Company's normal operating cycle or in the twelve months subsequent to the end of the fiscal year;
- for the Income Statement, expense and income items are presented according to their nature;
- for the Comprehensive Income Statement, a separate statement has been prepared;
- for the Cash Flow Statement, the indirect method is used.

Note 6 Criteria utilized for the transition from Italian GAAP to IFRS endorsed by the European Commission

As required by IFRS1 "First-time Adoption of IFRS", this note indicates how the transition to IFRS has affected the Company's balance sheet and income statement. The financial statements of Nuovo Polo Impiantistico S.p.A. have been prepared for the years ended December 31, 2020 and 2021 in accordance with Italian GAAP. In connection with the April 1, 2022 Assumption transaction that transferred all of Italtel's assets and liabilities measured under IFRS, the Company deemed it appropriate to ensure uniform accounting standards and adopt IFRS.

The effects of the transition to IFRS endorsed by the European Commission arise from changes in accounting standards and, consequently, as required by IFRS 1 are reflected in opening shareholders' equity at the transition date. The transition to IFRS endorsed by the European Commission meant that the estimates and classifications previously made under Italian GAAP were maintained, except in those cases where the adoption of IFRS endorsed by the European Commission required the formulation of estimates and classifications using different methodologies.

The transition date for the separate financial statements is January 1, 2021.

The main differences in accounting treatment compared to the financial statements at December 31 2020, prepared in accordance with Italian GAAP, are attributable to the different valuation of Intangible Assets in accordance with IFRS endorsed by the European Commission and generated an effect on opening shareholders' equity as of the transition date of Euro 1,788.

The effects of the transition to the IFRS endorsed by the European Commission, in terms of adjustments to the balance sheet at January 1, 2021 (transition date) and December 31, 2021, in addition to the income statement for the year 2021, are presented in the tables below.

Balance Sheet at January 1, 2021

			(Euro)
	Italian GAAP	Adjustments	IFRS endorsed by the European Commission
Assets			
Non-current assets			
Property, plant and equipment	-	-	-
Goodwill	-	-	-
Other intangible assets	1,788	(1,788)	-
Equity investments	-	-	-
Medium/long term financial assets	-	-	-
Other assets	-	-	-
Deferred tax assets	-	-	-
Total Non-Current Assets	1,788	(1,788)	-
Current assets			
Inventories	-	-	-
Trade receivables	-	-	-
Current tax receivables	-	-	-
Other receivables and assets	485,904	-	485,904
Short-term financial assets	-	-	-
Restricted current accounts	-	-	-
Cash and cash equivalents	10,000	-	10,000
Total Current Assets	495,904	-	495,904
Total assets	497,692	(1,788)	495,904
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Share capital	10,000	-	10,000
Reserves	-	-	0
Other reserves including profit/(loss) for the year	(310)	(1,788)	(2,098)
Total Shareholders' Equity	9,690	(1,788)	7,902
Liabilities			
Non-current liabilities			
Employee provisions	-	-	-
Provisions for risks and charges	-	-	-
Medium/long term financial liabilities	-	-	-
Other liabilities	-	-	-
Total Non-Current Liabilities	-	-	-
Current liabilities			
Trade payables	488,002	-	488,002
Current tax payables	-	-	-
Other payables and liabilities	-	-	-
Short-term financial liabilities	-	-	-
Total Current Liabilities	488,002	-	488,002
Total liabilities	488,002	-	488,002
Total Shareholders' Equity and Liabilities	497,692	(1,788)	495,904

Balance Sheet at December 31, 2021

(Euro)

	Italian GAAP	Adjustments	IFRS endorsed by the European Commission
Assets			
Non-current assets			
Property, plant and equipment	-	-	-
Goodwill	-	-	-
Other intangible assets	7,845	(7,845)	-
Equity investments	-	-	-
Medium/long term financial assets	-	-	-
Other assets	-	-	-
Deferred tax assets	-	-	-
Total Non-Current Assets	7,845	(7,845)	-
Current assets			
Inventories	-	-	-
Trade receivables	-	-	-
Current tax receivables	-	-	-
Other receivables and assets	587,071	-	587,071
Short-term financial assets	-	-	-
Restricted current accounts	-	-	-
Cash and cash equivalents	33,374	-	33,374
Total Current Assets	620,445	-	620,445
Total assets	628,290	(7,845)	620,445
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Share capital	50,000	-	50,000
Reserves	-	-	-
Other reserves including profit/(loss) for the year	(11,417)	(7,845)	(19,262)
Total Shareholders' Equity	38,583	(7,845)	30,738
Liabilities			
Non-current liabilities			
Employee provisions	-	-	-
Provisions for risks and charges	-	-	-
Medium/long term financial liabilities	-	-	-
Other liabilities	-	-	-
Total Non-Current Liabilities	-	-	-
Current liabilities			
Trade payables	589,707	-	589,707
Current tax payables	-	-	-
Other payables and liabilities	-	-	-
Short-term financial liabilities	-	-	-
Total Current Liabilities	589,707	-	589,707
Total liabilities	589,707	-	589,707
Total Shareholders' Equity and Liabilities	628,290	(7,845)	620,445

	January 1, 2021	December 31, 2021
Shareholders' equity according to Italian GAAP	9,690	38,583
Adjustment to the value of intangible assets	(1,788)	(7,845)
Shareholders' equity according to IFRS endorsed by the European Commission	7,902	30,738

The following table presents the effects of the transition to IFRS endorsed by the European Commission, in terms of reclassifications and adjustments, on the income statement for the year ending December 31, 2021:

Income statement 2021

	Italian GAAP	Adjustments	IFRS endorsed by the European Commission
Revenues from sales and services	-	-	-
Other income	4,000	-	4,000
Purchase of materials and external services	(12,639)	(8,018)	(20,657)
Personnel expense	-	-	-
Amortization, depreciation & write-downs	(1,961)	1,961	-
Other operating expenses	(507)	-	(507)
Change in inventories	-	-	-
Increase in internal work capitalized	-	-	-
EBIT	(11,107)	-	(17,164)
Financial income	-	-	-
Financial expenses	-	-	-
Income/(Expenses) from measurement investments at equity, net	-	-	-
Income taxes	-	-	-
Net Profit/(Loss)	(11,107)	(6,057)	(17,164)

A detailed description follows of the nature of the adjustments that have been made to the Balance Sheet at January 1, 2021 and December 31, 2021, and to the Income Statement for the year ended December 31, 2021.

Balance Sheet

Adjustment to the value of intangible assets

This adjustment relates to the effects associated with the different basis of recognizing costs incurred in incorporating the company. According to IAS 38, such costs cannot be capitalized but must be charged directly to the income statement. At January 1, 2021, therefore, Euro 1,788 is recognized in the FTA reserve in relation to costs incurred as of December 31, 2020 and not subject to amortization in FY 2020. In the 2021 income statement, amortization of Euro 1,961 was reversed and costs incurred in 2021 of Euro 8,018 were charged to the income statement.

Income Statement

The result for 2021 is adjusted by Euro 6,057 for the allocation of costs incurred for the incorporation of the Company amounting to Euro 8,018, net of the reversal of 2021 amortization of Euro 1,961.

Note 7 Transaction to assume the assets and liabilities of Beta TLC S.p.A. as of April 1, 2022

On December 23, 2020, Gruppo PSC S.p.A. made a binding offer as an investor in Beta TLC S.p.A. (formerly Italtel S.p.A.) in a bid to restructure and relaunch the latter. The arrangement plan filed by Beta TLC S.p.A. (formerly Italtel S.p.A.) was based on indirect continuity through the sale of the business to third parties, with the involvement of PSC Partecipazioni S.p.A, PSC Group S.p.A. and Nuovo Polo Impiantistico S.r.l. (later converted into an "S.p.A."), the latter in the role of the Assuming company destined to acquire the entire assets of Beta TLC S.p.A. (formerly Italtel S.p.A.).

Among the pillars of the plan presented was the stipulation, on February 4, 2021, between the Assuming company, PSC Partecipazioni and Gruppo PSC, on the one hand, and TIM, on the other, of an agreement - having the nature of a proposed composition agreement - governing both TIM's investment in the Assuming company's share capital for Euro 9 million (to be realized through the subscription and cash release of a share capital increase reserved for TIM), and the satisfaction of TIM's unsecured claims through specially issued Assuming company's shares.

On September 13, 2021, Clessidra Capital Credit SGR S.p.A. (hereinafter "Clessidra"), as a result of purchase transactions completed from July to September 2021, "took over the ownership of the unsecured receivables already owed to Beta TLC S.p.A. (formerly Italtel S.p.A.) by Intesa San Paolo S.p.A. (formerly UBI Banca S.p.A.), Banco BPM S.p.A. and Banca Ifis S.p.A. The acquisition of the receivables was accompanied by an investment transaction by Clessidra, and to this end, in fact, Clessidra had entered into a proposed composition agreement ("Agreement") with PSC Partecipazioni, Gruppo PSC, the Assuming company and TIM. This Agreement governed the contributions to the Assuming company's share capital by Gruppo PSC, TIM and Clessidra such that:

- three capital increases reserved for the above three parties were subscribed and released for cash;
- certain increases were subscribed and released by converting TIM's and Clessidra's unsecured claims into share capital of the Assuming company through the allotment of specially issued Assuming company shares.

On December 9, 2021, the Court of Milan approved the procedure of arrangement with creditors in indirect continuity promoted by Beta TLC S.p.A. (formerly Italtel S.p.A.), ordering that the entire assets be transferred to the Assuming company, Nuovo Polo Impiantistico S.p.A. On April 1, 2022, the Deed of Transfer, the "Deed of Recognition", was finalized, resulting in the assumption by Nuovo Polo Impiantistico S.p.A. of the entire corporate assets of ITALTEL (Assumption).

The Assumption was effective as of the same date of April 1, 2022, the date on which the aforementioned assuming company changed its name to Italtel S.p.A.

At the same time as the above deed was signed, a share capital increase of Euro 56.3 million was carried out, of which Euro 47.8 million was through capital increase payments and Euro 8.5 million through conversion of receivables by the new shareholders Gruppo PSC, Clessidra and TIM. As a result of this transaction, the previous shareholders, Exprivia (81%) and Cisco (19%), who had held control since 2017, exited the ownership structure.

With the Final Approval, Italtel S.p.A. assumed the obligation to fulfill the assigned arrangement requirements and will be obligated to fulfill the payments under the Plan, within the limits of the offer made to the creditors.

The following is a breakdown of the Assets and Liabilities assumed by Italtel S.p.A. as of April 1, 2022. Please refer to the specific notes on individual line items in the financial statements at December 31, 2022 for details and changes to the consolidated balances from the assumption date (in units of Euro).

	(Euro)
	01/04/2022
Assets	
Non-current assets	
Property, plant and equipment	7,694,713
Right-of-use on third-party assets	6,914,662
Other intangible assets	5,370,684
Equity investments	8,032,812
Medium/long term financial assets	189,602
Other assets	829,582
Total Non-Current Assets	29,032,055
Current assets	
Inventories	18,252,439
Contract work-in-progress	28,035,435
Trade receivables	47,678,715
Current tax receivables	-
Other receivables and assets	36,126,451
Short-term financial assets	6,155,128
Restricted current accounts	100,449
Cash and cash equivalents	2,539,112
Total Current Assets	138,887,729
Total Assets	167,919,784
Liabilities	
Non-current liabilities	
Employee provisions	17,031,398
Provisions for risks and charges	13,266,221
Medium/long term financial liabilities	29,129,627
Other liabilities	17,577,925
Total Non-Current Liabilities	77,005,171
Current liabilities	
Advances for contract work-in-progress	5,103,241
Trade payables	46,185,975
Current tax payables	-
Other payables and liabilities	32,686,616
Short-term financial liabilities	34,315,940
Total Current Liabilities	118,291,772
Total Liabilities	195,296,943

The assumption by Italtel S.p.A. (formerly NPI S.p.A.) of the assets and liabilities of Beta TLC S.p.A. (formerly Italtel S.p.A.) generated a negative difference to be preliminarily allocated to goodwill of Euro 27,377,159. An external consulting firm was then engaged to evaluate the allocation of this amount according to the Purchase Price Allocation (PPA) method under IFRS 3. See Note 12 Goodwill for full details.

Note 8 Disclosure on financial risks

Liquidity risk

Liquidity risk occurs when the Group does not hold or meets difficulties in sourcing the necessary funds to meet future financial commitments. The Group risk concerns resources generated or absorbed by operating and investing activities and the potential difficulties in attaining financing to support the operating activities in a timely manner.

The cash flows, financing requirements and the liquidity of the companies of the Group are monitored and managed centrally under the control of the Group Finance Office, with the objective of guaranteeing efficient management of the financial resources.

See Note 29 Financial liabilities for a description of the provisions and credit lines available to manage liquidity risk.

Credit risk

The credit risk is the risk that a client or a commercial or financial partner creates a charge by not fulfilling a payment obligation.

The maximum theoretical exposure to credit risk at December 31, 2021 concerns the book value of Other assets, Trade receivables, Short-term financial assets and Cash and cash equivalents at banks, financial institutions and post offices for a total of Euro 125,255 thousand.

Financial assets are recorded in the financial statements net of the write-downs calculated on the basis of the risk of non-fulfilment by the counterparty. This risk is determined by considering the information available on the clients' solvency and by estimating the lifetime expected credit loss from the time of its initial recording and subsequent valuations, based on historical-statistical indicators.

The Group financial management monitors on a monthly basis the risk of non-payment of receivables, overdue receivables and credit lines granted to the largest clients of each Group company.

The largest exposure concerns trade receivables. At December 31, 2022, trade receivables amounted to Euro 62,674 thousand and are recorded net of an accumulated write-down of Euro 4,440 thousand.

At December 31, 2022 trade receivables, net of the doubtful debt provision, amounted to Euro 6.3 million, of which Euro 0.23 million may be offset against supplier payables and Euro 4.13 million concerning overdue receivables (within 30 days).

The without recourse factoring operations in place at December 31, 2022 totaled Euro 54.15 million.

Group cash and cash equivalents are deposited at leading financial counterparties.

Interest rate risk

The Group utilizes external financing utilizes liquidity in on demand deposit accounts. In addition, the Group companies factor receivables deriving from their commercial activities on an ongoing basis. Changes in the market interest rates impact on the cost and return of the various forms of loans, commitments and factoring of receivables with an effect on the net financial charges of the Group.

Currency risk

The Group is subject to market risk deriving from fluctuations in the exchange rates in currencies as it operates on any international basis.

The Italtel Group concludes purchase transactions in U.S. Dollars. As the Euro is the functional currency of the consolidated financial statements of the group, any changes in the Euro/ U.S. Dollar exchange rate have the following effects:



- An increase in the value of the Euro has potential positive effects on operating profits and negative effects on revenues from sales and services;
- A decrease in the value of the Euro has potential negative effects on operating income and positive effects on revenues from sales and services.

Operations expressed in currencies other than the Euro are insignificant within the overall activities of the Italtel Group; therefore, the effects of changes in the exchange rates between the Euro and foreign currencies other than the U.S. Dollar impact the Group result to a marginal degree.

A number of Group subsidiaries are located in countries not within the Eurozone. As the Group reference currency is the Euro, the income statements of these companies are converted into Euro at the average exchange rate and, at like-for-like revenues and margins of the local currency, changes in the exchange rate may result in effects on the value in Euro of revenues, costs and results.

The assets and liabilities of companies consolidated in currencies other than the Euro may be translated into Euro at varying exchange rates. In accordance with the accounting standards adopted, the effects of these changes are recorded directly in the net equity, in the account "Translation reserve".

Italtel S.p.A., in order to reduce the effects of changes in the Euro/U.S. Dollar exchange rate, undertakes derivative contracts to hedge the exchange rate risk on purchases in U.S. Dollars. In the financial statements prepared in accordance with IFRS approved by the European Commission the derivative contracts must be valued at their relative Fair value at the balance sheet date.

At December 31, 2022, the Company has outstanding forward purchase transactions to hedge foreign exchange risk regarding USD 13,000 thousand, equivalent to Euro 12,188 thousand at the December 31, 2022 exchange rate.

At December 31, 2022, the fair value of outstanding derivative contracts is a negative Euro 526 thousand and the charge is recognized to the income statement.



Reconciliation of financial assets and liabilities in accordance with IFRS 7

In addition to the disclosure on financial risks, the following is a reconciliation between the financial assets and liabilities included in the balance sheet and financial situation of the Group and the classes of financial assets and liabilities envisaged by IFRS 9 (amounts in Euro thousands):

	Loans and receivables measured at "Amortized cost"	Investments valued at Fair Value (FVPL)	Derivative fin. instruments and fin. assets at FV to the income statement (FVPL)	Hedge accounting derivatives and fin. assets at FV to the OCI (FVOCI)	Available-for-sale financial instruments (FVOCI)	Total
Non-current assets						
Investments measured using the equity method	-	81	-	-	-	81
Medium/long term financial assets	215	-	-	-	-	215
Other assets	921	-	-	-	-	921
Total Non-Current Assets	1,136	81	-	-	-	1,217
Current assets						
Trade receivables	62,674	-	-	-	-	62,674
Current tax receivables	580	-	-	-	-	580
Other receivables and assets	26,141	-	-	-	-	26,141
Short-term financial assets	83	-	-	-	-	83
Cash and cash equivalents	35,436	-	-	-	-	35,436
						124,914
Total Current Assets	124,914	-	-	-	-	126,131
Total assets	126,050	81	-	-	-	126,131
	Loans and payables measured at "Amortized cost"		Derivative fin. instruments and fin. liabilities at FV to the income statement (FVPL)	Derivative fin. instruments and fin. liabilities at FV to net equity	Available-for-sale financial instruments	Total
Non-current liabilities						
Medium/long term financial liabilities	17,077	-	-	-	-	17,077
Other liabilities	10,535	-	-	-	-	10,535
Total Non-Current Liabilities	27,612	-	-	-	-	27,612
Current liabilities						
Advances on contract work-in-progress	4,321	-	-	-	-	4,321
Trade payables	61,789	-	-	-	-	61,789
Current tax payables	353	-	-	-	-	353
Other payables and liabilities	38,091	-	-	-	-	38,091
Short-term financial liabilities	13,268	-	526	-	-	13,794
						118,344
Total Current Liabilities	117,822	-	526	-	-	118,348
Total liabilities	145,534	-	526	-	-	146,060

ASSETS

Note 9 Property, plant and equipment

The accounts property, plant and machinery and the relative movements were as follows:

	Land	Property	Plant & machinery	Industrial equipment	Other assets	Assets in progress	Total
Original cost							
January 1, 2022	-	-	-	-	-	-	-
Assumption April 1, 2022	327	24,747	21,723	16,898	28,144	1,800	93,639
Increases	-	54	125	52	510	150	891
Write-downs/restorations	-	-	-	-	-	(5)	(5)
Disposals	(106)	(7,230)	(6,522)	(2,428)	(8,856)	-	(25,142)
Translation difference	-	-	10	-	(90)	-	(80)
Reclassifications	-	-	1,034	19	700	(1,745)	8
Reclassifications to Assets held-for-sale	(221)	(19,579)	(234)	-	-	-	(20,034)
Revaluation to Fair Value from assumption	-	2,008	-	-	-	-	2,008
December 31, 2022	-	-	16,136	14,541	20,408	200	51,285
Accumulated depreciation							
January 1, 2022	-	-	-	-	-	-	-
Assumption April 1, 2022	-	(20,482)	(20,906)	(16,331)	(27,220)	-	(84,939)
Depreciation	-	(7)	(333)	(257)	(477)	-	(1,074)
Disposals	-	4,455	6,402	2,427	8,845	-	22,129
Translation difference	-	-	(2)	-	70	-	68
Reclassifications	-	-	-	-	-	-	-
Reclassifications to Assets held-for-sale	-	16,034	-	-	-	-	16,034
December 31, 2022	-	-	(14,839)	(14,161)	(18,782)	-	(47,782)
Net book value							
January 1, 2022	-	-	-	-	-	-	-
December 31, 2022	-	-	1,297	380	1,626	200	3,503

On April 1, 2022, as a result of the transaction to assume the assets of Beta TLC S.p.A. (formerly Italtel S.p.A.), a net increase in Property, Plant and Equipment of Euro 8,700 thousand is reported.

Subsequent to April 1, 2022, investments in tangible assets totaling Euro 891 thousand were made.

Capital expenditures mainly refer to the completion of the renovation of the new headquarters in Via Caldera for Euro 539 thousand, net of the contribution of Euro 420 thousand recognized by the lessor of the building in August. Other investments mainly involve EDP and computers for the renewal of technology systems.

Property also increased by Euro 2,008 thousand, shown under Revaluations to fair value, in connection with the restatement to fair value of assets and liabilities recorded in the balance sheet as of the Assumption date, in accordance with IFRS 3 Business Combination. This standard states that assets transferred and liabilities incurred or assumed by the acquirer in exchange for control of the acquiree should be measured at their respective fair values on the date of exchange. In accounting for business combinations, IFRS 3 is based on a unified method known as the purchase method under which the price paid must be reallocated to the identifiable assets, actual liabilities, and contingent liabilities acquired. Goodwill will however constitute the difference between the acquisition cost and the present value of the acquiree's assets and liabilities. The report prepared by an external consulting firm on the Purchase Price Allocation indicated a capital gain of Euro 2,008 thousand referring to the property owned located in Carini (Palermo), for which a preliminary deed of sale was signed on February 15, 2023, setting the sale price at Euro 4,000 thousand.

Disposals for the year at December 31, 2022 amounted to Euro 25,142 thousand, depreciated by Euro 22.129 million, and included the sale of owned property located in Castelletto (Settimo Milanese) on August 4, 2022 at a price of Euro 3,000 thousand, corresponding to the net carrying amount of the sold assets. Following the relocation of the company's headquarters to Via Caldera (Milan) and Rozzano (Milan) and the subsequent sale of the properties mentioned above, during the year the Company disposed of assets such as test plants, electronic plates and equipment, general equipment, plant and furniture and furnishings, with a historical value of Euro 16,454 thousand, depreciated by Euro 16,452 thousand.

Reclassifications include capitalization of work in progress acquired at April 1, 2022. Specifically, renovation work on the Via Caldera office, which began in December 2022 and was completed in the first few months of the year, was capitalized in the amount of Euro 1,021 thousand and amortized according to the duration of the lease agreement. These costs are net of a contribution of Euro 600 thousand which, as stipulated in the contract with the owner of the property, was recognized by the latter in February against the expenses incurred by the company. Euro 545 thousand Euro related to furniture for the new headquarters and Euro 113 thousand related to computers and electronic equipment included in Other assets was also capitalized.

At December 31, 2022, in accordance with IFRS 5, the balance of Property, Plant and Equipment was reclassified for Euro 4,000 thousand to Assets held-for-sale and discontinued operations following the signing of the preliminary contract for the sale of the Carini property. As required by IFRS 5, the relevant depreciation has not been calculated in FY 2022.

At December 31, 2022, land, buildings, plant and machinery, industrial equipment, and other assets are not subject to first-degree mortgages, liens, or special liens.

Note 10 Right-of-use on third-party assets

Right-of-use on third-party assets have been classified as a specific item in the balance sheet and refer to the valuation of operating and finance leases in accordance with the methodology required by IFRS 16, which came into effect on January 1, 2019.

Property includes leases on the offices in Milan, Rozzano (Milan), Rome, the warehouse in Pregnana Milanese (Milan) and the external goods warehouse in San Pietro Mosezzo (Novara), as well as leased offices in Spain, Brazil and Peru. The balance also includes office leases entered into by the Branch office in Colombia that concluded on December 31, 2022.

Lease agreements have been concluded with PSC Group companies as detailed below:

	Value right-of-use	Depreciation	Net value
Gruppo PSC S.p.A. – Rome offices	2,039	(437)	1,602
PSC Investimenti S.r.l.- Pregnana M. warehouse	385	(80)	305
December 31, 2022	2,424	(517)	1,907

Other assets include long-term car rental contracts for company service cars, cars assigned to employees and computer equipment.

The changes in the right-of-use on third-party assets for FY 2022 are as follows:

	Land	Property	Plant & machinery	Industrial equipment	Other assets	Assets in progress	Total
Original cost							
January 1, 2022	-	-	-	-	-	-	-
Assumption April 1, 2022	-	11,634	309	11	4,802	-	16,756
Increases	-	754	-	-	605	-	1,359
Write-downs/restorations	-	-	-	-	-	-	-
Disposals	-	(387)	-	(11)	(690)	-	(1,088)
Translation difference	-	(59)	7	-	5	-	(47)
Reclassifications	-	-	-	-	-	-	-
December 31, 2022	-	11,942	316	-	4,722	-	16,980
Accumulated depreciation							
January 1, 2022	-	-	-	-	-	-	-
Assumption April 1, 2022	-	(4,080)	(82)	(10)	(4,094)	-	(8,266)
Depreciation	-	(1,277)	(80)	(1)	(629)	-	(1,987)
Disposals	-	344	-	11	649	-	1,004
Translation difference	-	49	(1)	-	2	-	50
Reclassifications	-	-	-	-	-	-	-
December 31, 2022	-	(4,964)	(163)	-	(4,072)	-	(9,199)
Net book value							
January 1, 2022	-	-	-	-	-	-	-
December 31, 2022	-	6,978	153	-	650	-	7,781

During the year, total increases of Euro 1,359 thousand were recognized related to property rental contracts for Euro 754 thousand and long-term car rental contracts for Euro 605 thousand.

A lease was signed in the year for the Rozzano (Milan) office dedicated to Noc (Network Operation Center) and Soc (Security Operation Center) activities, while leases for offices in Spain and Brazil were supplemented.

Note 11 Other intangible assets

The account Other intangible assets and the relative movements were as follows:

	Industrial patents and intellectual property rights, licenses and similar rights	Development costs	Fixed assets in progress	Concessions, licenses, trademarks & similar rights	Total
Original cost					
January 1, 2022	-	-	-	-	-
Assumption April 1, 2022	1,034	3,606	833	-	5,473
Increases	78	1,570	1	-	1,649
Allocation of assumption price	-	-	-	12,768	12,768
Write-downs	-	-	(5)	-	(5)
Disposals	-	-	-	-	-
Translation difference	1	-	-	-	1
Amortization	(514)	(2,267)	-	(479)	(3,260)
Reclassifications	23	745	(770)	-	(2)
December 31, 2022	622	3,654	59	12,289	16,624

On April 1, 2022, Italtel S.p.A. through the Assumption transaction acquired Other Intangible Assets for Euro 5,473 thousand, consisting mainly of application software acquired under license for unlimited time use and internal software development projects.

Investments in the period from April 1, 2022 to December 31, 2022 in intangible assets amounted to Euro 1,649 thousand. Specifically, Euro 1,570 thousand was invested in Development and Innovation activities.

The item Increases includes the recognition of Euro 12,768 thousand related to the capitalization of the customer relationship valued as part of the PPA (Price Purchase Allocation) following the Assumption of Assets and Liabilities on April 1, 2022 by Italtel S.p.A. (formerly Nuovo Polo Impiantistico S.p.A.). As required by IFRS 3, valuations performed by a consulting firm to restate the assets and liabilities at fair value as of the Assumption date indicated an intangible asset related to the Company's ability to develop and maintain ongoing relationships with loyal customers that increases the Company's ability to generate profitability in the future. From the analysis conducted, a useful life of the customer relationship was determined to be 20 years; the amortization calculated in the year starts from April 1, 2022.

The R&D activities carried out by Italtel S.p.A. in 2022 were as follows:

	31/12/2022
Research and Development	2,201
of which:	
- capitalized	1,570
- recognized to the Income statement	631
Amortization in the year of development costs	2,267

The net value of intangible assets concerning Development Costs was Euro 3,654 thousand at December 31, 2022.

Development Costs were capitalized as the company considers these investments recoverable through revenues from the sale of the related products, forecast for 2023 and subsequent years. This assessment took into consideration the proprietary product market, the features of the individual products compared to the main competitors and the current visibility.

Note 12 Goodwill

The account goodwill and the relative movements were as follows:

	31/12/2022	31/12/2021
Value at January 1	-	-
Assumption at April 1, 2022	12,601	
Increases	-	-
Write-downs	-	-
Value at December 31	12,601	-

The Assumption that took place on April 1, 2022 by Italtel S.p.A. (formerly NPI S.p.A.) of the assets and liabilities of Beta TLC S.p.A. (formerly Italtel S.p.A.) generated a negative difference to be preliminarily allocated to goodwill of Euro 27,377,159. The consulting firm Epyon Audit & Consulting was then engaged to evaluate the allocation of this amount according to the Purchase Price Allocation (PPA) method under IFRS 3.

The PPA indicated that a portion of this amount is attributable to the Customer Relationship, which concerns the Company's ability to maintain and develop relationships with its customers that improves the possibility of profitability generation in the future. The fair value was measured at Euro 12,768 thousand, with an estimated useful life of 20 years.

For the purpose of determining the residual value of goodwill post-PPA, the assets and liabilities recorded in the balance sheet at the Assumption date were measured at fair value. This analysis revealed the existence of a surplus value referring to the property owned located in Carini (Palermo). This building is the subject of a preliminary deed of sale entered into by the company on February 15, 2023, which sets the sale price at Euro 4,000 thousand, for a surplus over the net carrying amount at the Assumption date of Euro 2,008 thousand.

From the preceding paragraphs, it follows that the remaining post-allocation goodwill at April 1, 2022 is Euro 12,601 thousand.

<i>Euro/000</i>	<i>Amount</i>
Goodwill to be allocated	27,377
Customer relationship	12,768
Step up fabbricato Carini	2,008
Goodwill allocated	14,776
Goodwill (residual)	12,601

Source: Epyon analysis

As part of the PPA, an impairment test was carried out on the amount of Euro 27,377 thousand preliminarily attributed to goodwill at April 1, 2022, in order to verify that the future cash flows, deriving from the 2022-2026 five-year plan, were capable of generating future economic benefits such as to justify the value of goodwill in its entirety and thus confirm the absence of impairment losses at the pre-allocation stage.

The purpose of the work was to prepare asset-side valuations in accordance with IAS/IFRS, necessary for the impairment tests, in order to verify that the economic value of the CGU (Recoverable Amount, in the value-in-use configuration), was not less than the corresponding carrying amount recognized in Italtel S.p.A.'s financial statements (Carrying Amount) as of the Reference Date.

The assessment was carried out using the methodological criteria deemed most suitable for the purpose, consistent with the guidelines outlined by international accounting standards on impairment testing (IAS 36, IAS 38 and IFRS 13).

Application

The international accounting standard IAS 36 requires the assessment of impairments to tangible and intangible fixed assets amid indicators that such a loss may exist.

In the case of goodwill, as in all the other intangible assets with an indefinite useful life, the value must be tested annually or more frequently through the "impairment test" process if extraordinary negative events occur involving a presumption of loss of value.

Identification of the CGUs (Cash Generating Units) and allocation of goodwill

In accordance with international accounting standards, a standalone asset not representing goodwill and incapable of generating cash flows independently from other assets or groups of assets, cannot be subjected to a separate impairment test in respect of the assets it is linked to.

For these purposes, goodwill must be allocated to a CGU or groups of CGUs, in accordance with the maximum aggregation constraint coinciding with the operating segment notion indicated in IFRS 8.

Impairment testing process and evaluation system

The recoverability of the value of goodwill recorded in the financial statements was tested by comparing the carrying amount of the CGU to which it is allocated with its recoverable amount, defined under IAS 36 as the higher of the fair value of an asset or cash-generating unit, less costs to sell and its value in use. The Company determines the value in use and, where the value in use is less than the carrying amount of individual CGUs, proceeds to determine the Fair value less costs to sell.

General considerations and choice of valuation methods

The recoverable amount, as mentioned, is the greater of an asset's fair value less costs of disposal and its value in use. For the purpose of determining the recoverable amount, the value in use was estimated using the Unlevered Discounted Cash Flow financial method.

In terms of the Company's business, in fact, trends in sales and related costs, on the one hand, and trends in investments and working capital, on the other, are drivers that justify the adoption of the Unlevered Discounted Cash Flow financial method for the purpose of estimating the value in use of the CGU.

In fact, the UDCF method correlates the value of a company's economic capital with its ability to produce cash flows at an operating level, for the remuneration of third-party lenders and shareholders. In view of the purposes of this valuation report, this choice appears to be consistent with the guidelines drawn by international accounting standards (IAS 36) regarding the estimation of value in use for the purpose of impairment testing.

Determination of the Carrying Amount

The Carrying Amount, amounting to Euro 64,149 thousand, considered for the purpose of the impairment test in the case of determining the value in use, is equal to the net capital employed at March 31, 2022 pre-PPA, adjusted by the value of equity investments amounting to Euro 8,033 thousand, as the cash flows of the investee companies are not reflected in the 2022-2026 Plan taken as a reference for the impairment test. For the determination of Net Capital Employed, reference was made to the balance sheet at March 31, 2022 pre-assumption prepared by Beta TLC S.p.A. (formerly Italtel S.p.A.), which shows no differences from the balances of assets and liabilities transferred on April 1 with the Assumption transaction.

Methodology and valuation assumptions for the purpose of estimating the value in use of the CGU

The plan underlying the application of the UDCF - The Italtel S.p.A. Five-Year Plan 2022-2026 approved by the Directors on July 14, 2022 was taken as a reference

Terminal value - For the purpose of estimating terminal value, the Unlevered Free Cash Flow of the last year of the Plan was used as a reference.

WACC - The discount rate applied for discounting the Plan cash flows and discounting the terminal value is 10.7%.

The following are the valuation parameters used to determine the WACC discount rate

Description	Note	Values
Risk-free rate	a.	2.0%
Market Risk Premium	b.	6.00%
β unlevered	c.	0.80
Italian tax rate		24.00%
β levered		0.92
Size and execution premium	d.	4.8%
Cost of Equity (Ke)		12.30%
Corporate Tax Rate		24.00%
Cost of Debt	e.	2.5%
Cost of Debt (Post tax)		1.90%
Debt/Equity ratio	f.	18.50%
Debt/(Debt+Equity)		15.60%
Equity/(Debt+Equity)		84.40%
WACC		10.70%

Source: Epyon Analysis

Note

- Equal to the 10-year Italian government bond (BTP) rate recorded as of April 1, 2022 (source: *Capital 1Q*).
- Premium over R_f , calculated based on the normalized average return over the past 20 years (through December 2021) of the Companies belonging to the S&P500 index (source: *Capital 1Q*). The R_f considered for premium calculation is the 10-year U.S. government bond (Treasury) rate.
- Average beta unlevered of identified comparables
- Source: *Duff & Phelps*. Given the premium to be associated with the 10th decile in order to reflect in this premium also a share of risk associated with plan execution and illiquidity of the units of the company
- Equal to the average of the ratio of total financial payables of comparables as of April 1, 2022.
- Equal to the average D/E of comparables as of April 1, 2022.

G rate-the long-term growth rate (G-rate) was conservatively estimated to be zero.

Valuation Range - In order to determine the possible headroom or impairment loss resulting from the impairment test exercise as of the Reference Date, a range of values was opted for, identified by applying a change of +0.5% and -0.5% to the g-rate and WACC rates in defining the terminal value.

The Sensitivity applied on WACC and growth rate "g" is shown below:

		WACC				
		10.2%	10.7%	11.2%	11.7%	12.2%
g	1.0%	101,634	93,506	86,173	79,525	73,470
	0.5%	95,362	87,923	81,177	75,034	69,416
	0.0%	89,703	82,859	76,626	70,926	65,694
	-0.5%	84,571	78,246	72,463	67,154	62,264
	-1.0%	79,894	74,026	68,639	63,677	59,092

Results of the impairment test at April 1, 2022

The value configuration adopted for the recoverable amount of the CGU is the value in use, as the fair value of the CGU net of selling costs is less than its value in use.

A comparison between the recoverable amount of the CGU, determined to be Euro 111,173 thousand, and the related adjusted carrying amount shows a Headroom valued at Euro 47,024 thousand at April 1, 2022.

Analyses on goodwill at December 31, 2022

Subsequent to this assessment and using the same criteria, the Company re-performed the goodwill impairment test as of December 31, 2022 based on the assumptions described below.

The impairment exercise carried out to assess the recoverability of the net carrying amount of goodwill at December 31, 2022 was conducted assuming the existence of a single CGU, coinciding with the entire company Italtel S.p.A..

The assessment conducted at December 31, 2022 confirmed the recoverability of carrying amounts related to the Italtel CGU; no potential impairment losses were identified with respect to assets in the net capital employed of the December 31, 2022 financial statements, including goodwill.

The recoverability of goodwill and other assets pertaining to the Italtel CGU was verified by determining the value in use by discounting Italtel S.p.A.'s cash flows deriving from the Italtel Group's consolidated plan, prepared on September 7, 2022 for the years 2023-2026 with the assistance of a leading consulting firm and approved by the Board of Directors of Italtel S.p.A. The forecasts contained in the plan represent management's best estimate, and have taken into account the indications obtainable from the main internal and external sources of information, forecasts of developments on the core markets and the most recent outlook for the economic cycle, including with reference to the main customers, expected over the plan horizon.

The rate used for discounting future cash flows (WACC) is 11.2%. This value was obtained by determining at the reference date the financial and market parameters underlying the determination of the weighted average cost of capital net of the tax effect (risk free rate, size and market risk premium) and using the beta, cost of debt and debt ratio deriving from a Group of companies deemed comparable. The growth rate used to determine cash flows beyond the explicit forecast horizon of the plan ("g-rate") was conservatively assumed to be 0%.

On the outcome of these assessments, sensitivity analyses were finally conducted by acting on the key parameters, namely (i) WACC and (ii) growth rate g, with the same operating assumptions assumed in the base case.

The sensitivity analyses did not involve the identification of impairment loss scenarios at December 31, 2022.

The Directors confirm the value of Euro 12,601 thousand recorded in the financial statements at December 31, 2022.

Note 13 Investments valued at equity

The account investments valued at equity reported the following movements:

	31/12/2022	31/12/2021
Value at January 1	-	-
Assumption at April 1	81	-
Adjustments in the year	-	-
Acquisitions	-	-
December 31	81	-

At December 31, 2022 and 2021 none of the associated companies had securities listed on regulated markets.

Note 14 Medium/long term financial assets

The account medium/long term financial assets and the movements were as follows:

	Equity investment s in other companies	Securities other than equity investments	Financial Receivables and other non- current assets	Financial prepayments and accrued income	Total
January 1, 2022	-	-	-	-	-
Assumption at April 1, 2022	196	-	-	-	196
Increases/(decreases)	19	-	-	-	19
December 31, 2022	215	-	-	-	215

The equity investments in other companies are all valued at cost.

During the year, Euro 19 thousand was invested in new equity investments.

On May 12, 2022, the consortium company MECCATRONICA CLUSTER SICILIA - Società Consortile a Responsabilità Limitata was incorporated, which Italtel joined by paying a share of Euro 0.2 thousand.

On October 25, 2022, the Company paid Euro 8 thousand for participation in the capital fund of the "Made in Italy Circular and Sustainable" Foundation, incorporated on September 22, 2022, with the purpose of pursuing projects related to economic, environmental and social sustainability, circularity, the digital transformation of materials, products, services, processes, factories and production chains, with particular reference to the industrial sectors of Made in Italy

On November 3, 2022, Italtel S.p.A. settled the Euro 10 thousand fee to join the "RESearch and innovation on future Telecommunications systems and networks, to make Italy more smART - RESTART" Foundation.

The list of holdings is shown in Note 50.

The book value of the other financial assets approximates their fair value.

Note 15 Other assets

This account Other assets is comprised of:

	31/12/2022	01/04/2022	31/12/2021
Security deposits	678	1,115	-
Receivables from tax authorities	31	827	-
Tax reimbursements requested	-	-	-
Others	212	212	-
Other non-current receivables doubtful debt provision	-	(409)	-
December 31	921	1,745	-

Security deposits mainly include deposits paid to guarantee lease contracts for the new offices in Via Caldera amounting to Euro 394 thousand, to long-term car rental contracts and to electricity and gas utilities.

The Others account includes long-term prepayments for the suspension of costs accrued, which are expected to be reversed to the income statement beyond 12 months.

The book value of the other assets approximates their Fair Value.

Note 16 Deferred tax assets and liabilities

This account Deferred tax assets is comprised of:

	31/12/2022	31/12/2021
Deferred tax assets	3,035	-
Deferred tax liabilities	(3,772)	-
Total	(737)	-

The breakdown of deferred taxes by type was as follows:

	Deferred tax assets		Deferred tax liabilities	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Temporary differences originating from:				
- Capital grants and operating grants	-	-	(3,592)	-
- Goodwill Amortization	-	-	(126)	-
- Doubtful debts provision	30	-	-	-
- Inventory obsolescence provision	207	-	-	-
- Amortization and depreciation	-	-	-	-
- Other provisions for risks and charges	437	-	-	-
- Deferred tax assets interest expenses	556	-	-	-
- Other	16	-	(41)	-
- Deferred tax asset relating to tax losses	761	-	-	-
- For temporary differences concerning foreign subsidiaries in accordance with local tax laws	746	-	(13)	-
- Deferred tax asset relating to tax losses of the foreign subsidiaries	282	-	-	-
Changes in adoption of IFRS to equity				
- Discounting of post-employment benefit provision - IAS 19 revised	-	-	-	-
Total	3,035	-	(3,772)	-

At the Assumption Date of April 1, 2022, no deferred tax assets and deferred tax liabilities were recognized in Italtel S.p.A. as, based on the particular legal structure of the arrangement (in indirect continuity with the Assuming company), the subjective tax positions are not transferred to the Assuming company. Deferred tax assets concerning tax losses of foreign subsidiaries of the Group related to Brazil.

Deferred tax assets for temporary differences refer to Brazil and Peru, while deferred tax liabilities for temporary differences refer to France.

Note 17 Inventories

The account inventories and the related movements were as follows:

	31/12/2022	01/04/2022	31/12/2021
Contract work-in-progress	11,755	15,521	-
Contract work-in-progress obsolescence provision	(634)	(1,322)	-
	11,121	14,199	-
Finished products and goods	46,462	50,687	-
Finished products and goods obsolescence provision	(33,461)	(35,632)	-
	13,001	15,055	-
Advances	538	-	-
Total	24,660	29,254	-

During the year, Italtel S.p.A. undertook scrapping for a total value of Euro 2,288 thousand, against which the inventory obsolescence provision of Euro 2,113 thousand was used.

The contract work-in-progress represents the costs suspended relating to the provision of goods and services on contracts stipulated with clients.

Note 18 Contract work-in-progress

The contract work-in-progress amounts to Euro 27,195 thousand at December 31, 2022.

On April 1, 2022, contract work-in-progress valued at revenue of Euro 28,433 thousand was assumed.

The breakdown of contract work-in-progress by business area is follows:

	31/12/2022	01/04/2022	31/12/2021
Telco Media & Cloud - gross value	7,749	13,255	-
Telco Media & Cloud - advances already invoiced	(6,904)	(11,786)	-
Telco Media & Cloud - net value	845	1,469	-
Private & Public sector - gross value	8,533	8,713	-
Private & Public sector - advances already invoiced	(6,473)	(7,988)	-
Private & Public sector - net value	2,060	725	-
Ultra Broad Band - gross value	155,445	144,677	-
Ultra Broad Band - advances already invoiced	(131,355)	(118,993)	-
Ultra Broad Band - net value	24,090	25,684	-
Foreign - gross value	3,256	2,513	-
Foreign - advances already invoiced	(3,056)	(1,958)	-
Foreign - net value	200	555	-
Total	27,195	28,433	-

Contract work-in-progress at December 31, 2022 represents the valuation of the contracts principally with the client Open Fiber based on the advancement of the activities.

The net balance of advances received on contract work-in-progress amounts to Euro 4,321 thousand. On April 1, 2022, Advances received for contract work-in-progress of Euro 5,144 thousand were assumed.

The net balance of advances received on contract work-in-progress amounts to Euro 4,321 thousand and comprises:

	31/12/2022	01/04/2022	31/12/2021
Telco Media & Cloud - gross value	6,305	22,804	-
Telco Media & Cloud - advances already invoiced	(8,588)	(24,573)	-
Telco Media & Cloud - net value	(2,283)	(1,769)	-
Private & Public sector - gross value	2,571	11,507	-
Private & Public sector - advances already invoiced	(2,947)	(12,717)	-
Private & Public sector - net value	(376)	(1,210)	-
Ultra Broad Band - gross value	4,031	3,866	-
Ultra Broad Band - advances already invoiced	(4,275)	(4,539)	-
Ultra Broad Band - net value	(244)	(673)	-
Foreign - gross value	2,276	3,077	-
Foreign - advances already invoiced	(3,694)	(4,569)	-
Foreign - net value	(1,418)	(1,492)	-
Total	(4,321)	(5,144)	-

Note 19 Trade receivables

The account trade receivables is composed as follows:

	31/12/2022	01/04/2022	31/12/2021
Trade receivables	66,891	65,048	-
Receivables from associated companies	-	-	-
Receivables from parent companies	38	478	-
Receivables from group companies	185	-	-
Cumulative write-down of receivables	(4,440)	(4,221)	-
Total	62,674	61,305	-

The movements of the cumulative write-downs of receivables are broken down as follows:

	31/12/2022	31/12/2021
January 1	-	-
Changes in the year:		
- Assumption April 1, 2022	4,221	-
- Increases	407	-
- Utilizations/Releases	(189)	-
- Translation differences of foreign currencies	1	-
December 31	4,440	-

The increases in the cumulative write-downs of receivables were recognized to the income statement to the account Other operating costs.

The receivables from related parties are broken down in Note 46 – Related party transactions.

The without recourse factoring operations in place at December 31, 2022 totaled Euro 54.15 million.

The book value of the trade receivables approximates their Fair Value.

Below the trade receivables in currencies other than the Euro are listed, the functional currency of the Group:

	(thousands)	
	31/12/2022	
	Foreign currency	Euro
US Dollar	13,417	12,580
UK Sterling	53	59
Brazilian Real	35,370	6,273
Peruvian Nuevo Sol	31,189	7,709
Colombian Peso	2,220,816	429
Chilean Peso	87,083	95

Note 20 Current tax receivables

Current tax receivables at December 31, 2022 amounted to Euro 580 thousand, representing the excess of the taxes paid by some foreign companies. At the assumption date, they amounted to Euro 943 thousand.

Note 21 Other receivables and assets

This account Other receivables and assets is comprised of:

	31/12/2022	01/04/2022	31/12/2021
Employee receivables	725	861	-
Social security institution receivables	335	65	-
Prepayments and accrued income	757	1,820	581
Short-term tax receivables	4,467	16,329	-
Receivables from the state for subventions and grants	14,965	15,047	-
Other various receivables	4,892	6,254	7
Total	26,141	40,376	588

Employee receivables mainly refer to advances disbursed for business trips for Euro 323 thousand (Euro 387 thousand at April 1, 2022), against which other current liabilities include the liability for expense claims to be received for trips made by employees. At December 31, 2022, the balance includes the advance salary paid to employees for the Temporary Lay-Off Scheme in December and withheld in January 2023, amounting to Euro 291 thousand (Euro 337 thousand at April 1, 2022).

Receivables from social security institutions amounted to Euro 335 thousand and included a receivable from the INPS of Euro 258 thousand for the Temporary Lay-Off Scheme advanced by Italtel S.p.A. to employees.

Prepayments and accrued income concern costs paid relating to the subsequent year.

The tax receivable consists mainly of VAT, that attributable to Italtel S.p.A., amounting to Euro 3,398 thousand at December 31, 2022 refers for Euro 3,394 thousand to the fourth quarter 2022 receivable requested for reimbursement for Euro 3,417 thousand. At the Assumption date of April 1, 2022, the same balance of the parent company's VAT receivable, referring to Q3 and Q4 2021 and Q1 2022, amounted to Euro 13,850 thousand requested for reimbursement and collected in FY 2022.

The receivables from the State for subventions and grants of Euro 14,965 thousand at December 31, 2022 refer to capital grants for research and development projects, for which a reasonable certainty exists of their recognition under paragraph 7 of IAS 20. For a number of these grant receivables, advances that have already been collected are recorded in current liabilities.

Other receivables include advances to suppliers of Euro 3,932 thousand.

The book value of the other assets approximates their Fair Value.

Note 22 Short-term financial assets

The account short-term financial assets and the relative movements were as follows:

	31/12/2022	01/04/2022	31/12/2021
Other financial receivables	83	1	-
Short-term financial prepayments and accrued income	-	-	-
Monetary funds / Securities	-	-	-
Total	83	1	-

Other financial receivables at December 31, 2022 refer to the Euro 68 thousand receivable from the factoring company to which the VAT receivable was ceded and late payment interest, collected in 2023, amounting to Euro 14 thousand related to the higher payment of the arrangement liabilities made to the banks. The balance also includes Euro 1 thousand referring to two short-term deposit accounts opened by the Colombia Branch Office (Euro 1 thousand at April 1, 2022).

The book value of the other financial assets approximates their fair value.

Note 23 Cash and cash equivalents and restricted current accounts

The account cash and cash equivalents is broken down as follows:

	31/12/2022	01/04/2022	31/12/2021
Cash at banks, financial institutions and post offices	33,300	52,524	-
Cheques	-	-	-
Cash	9	13	-
Total	33,309	52,537	33

The balance of the Banks restricted current accounts refers for Euro 2,027 thousand to the restricted cash of the Group's Peruvian company, as a guarantee for work-in-progress for public companies. While Euro 100 thousand is related to the balance of the current account opened by Italtel S.p.A. in support of the Arrangement Procedure.

The amounts shown can be readily converted into cash and do not have a significant risk of change in value.

Cash absorbed by operating activities

The cash flow absorbed by operating activities totaled Euro 9,216 thousand.

Cash flow from operating activities before working capital changes of Euro 808 thousand is accompanied by the change in net working capital, with the absorption of cash of Euro 10,024 thousand. The latter includes the payment of arrangement debts of Euro 8,445 thousand.

Cash absorbed by investing activities

During the year to December 31, 2022, investing activities absorbed cash of Euro 805 thousand, mainly for investments in property, plant and equipment of Euro 2,250 thousand, including Euro 1,359 thousand as accounting for lease contracts in accordance with IFRS 16, and in intangible assets of Euro 1,649 thousand. The sale of fixed assets resulted in the receipt of Euro 3,195 thousand, of which Euro 3,000 thousand for the sale of property in Castelletto - Settimo Milanese.

Cash generated by financing activities

Financial assets in 2022 saw an increase in liquidity of Euro 29,454 thousand.

The most significant event is the cash payment by Shareholders on April 1, 2022, totaling Euro 47,778 thousand. During the year, arrangement financial debts of Euro 20,078 thousand were paid.

SHAREHOLDERS' EQUITY AND LIABILITIES

Note 24 Share capital

At December 31, 2022, the share capital amounted to Euro 5,674,752.28 (Euro 50,000 thousand as of December 31, 2021) and was divided as follows:

- 3,045,000 Ordinary Shares owned by Gruppo PSC S.p.A.;
- 1,005,596 A Shares owned by TIM S.p.A.;
- 1,624,160 B shares owned by Clessidra Capital Credit SGR S.p.A.

Following the approval, by decree of the Court of Milan No. 10234/2021, Case No. 47652/2021 dated December 9, 2021, of the arrangement procedure of Beta TLC S.p.A. (formerly Italtel S.p.A.) and in execution of the arrangement obligations, the Company's shareholding structure, resulting from the assumption of the entire corporate assets of the old Italtel by the Assuming company (formerly Nuovo Polo Impiantistico S.p.A.), is as follows:

Gruppo PSC S.p.A.

It represents the majority shareholder of Italtel S.p.A. by virtue of a 53.66% holding, and also exercises management and coordination activities pursuant to Article 2497 and subsequent of the Civil Code with respect to its subsidiary Italtel S.p.A. Prior to the capital increases resulting from the approval of the arrangement procedure, it was the sole shareholder of Nuovo Polo Impiantistico S.p.A. (the Assuming company). PSC is held by:

- PSC Partecipazioni S.p.A., which owns 80.36% of the share capital;
- Fincantieri S.p.A., which owns 9.80% of the share capital;
- SIMEST S.p.A., which owns 9.64% of the share capital.

Clessidra Capital Credit SGR S.p.A.

The company holds a 28.62% equity interest; it acts as a manager of the FIA (alternative investment fund) Clessidra Restructuring Fund.

Clessidra was founded in 2003 with the aim of creating an asset management company operating in the highly professional Italian private equity market and dedicated to the domestic upper-middle market segment, becoming one of the leading private equity fund managers in Italy.

The company today is an independent platform operating in alternative investments (private credit and private equity) and factoring, able to offer a wide range of products and services for institutional investors and small and medium-sized Italian companies. The Clessidra Group operates through three companies with operational autonomy, Clessidra Capital Credit, Clessidra Private Equity, and Clessidra Factoring.

TIM S.p.A.

With a 17.72% holding, TIM is listed on the Euronext regulated market in Milan and is one of the leading telecommunications companies in Italy and also has a significant presence in South America, particularly in Brazil. The company provides fixed-line and mobile telephone services, in addition to high-speed Internet and TV connectivity services. TIM is listed on both the Milan and New York stock exchanges (on the FTSE MIB index of the Italian Stock Exchange).

The share capital increase from Euro 50,000, fully paid-in by Gruppo PSC S.p.A., to Euro 5,674,752.28, was made through cash payments of Euro 4,772,722.49 and the conversion of the arrangement liabilities to TIM S.p.A. and Clessidra Capital Credit SGR S.p.A. totaling Euro 852,029.79.

Specifically:

	Cash payment	Conversion of payables	(Euro) Total
Gruppo PSC S.p.A.	2,995,000.00	-	2,995,000.00
TIM S.p.A.	900,000.00	105,596.03	1,005,596.03
Clessidra Capital Credit SGR S.p.A.	877,722.49	746,433.76	1,624,156.25
Total at December 31, 2022	4,772,722.49	852,029.79	5,624,752.28

At December 31, 2022, all shares issued had been subscribed and paid-in.

At December 31, 2022, the Company did not hold treasury shares.

Note 26 Reserves

The Reserves account is composed as follows:

	31/12/2022	31/12/2021
Legal reserve	-	-
Share premium reserve	50,623	-
Total	50,623	-

Following the capitalization of the Company resulting from the Assumption transaction on April 1, 2022, the share premium reserve was paid by the new shareholders. The payment was made in cash for Euro 42,955 thousand and by the conversion of the arrangement liabilities assumed on April 1, 2022 in the amount of Euro 7,668 thousand. Specifically:

	Cash payment	Conversion of payables	Total
Gruppo PSC S.p.A.	26,955	-	26,955
TIM S.p.A.	8,100	950	9,050
Clessidra Capital Credit SGR S.p.A.	7,900	6,718	14,618
Total	42,955	7,668	50,623

Note 26 Other reserves including profit/(loss) and minority interest reserves

The breakdown of the account is as follows:

	31/12/2022	01/04/2022	31/12/2021
Prior year results carried forward	(839)	-	-
FTA (First Time Adoption) IFRS Reserve	(2)	(2)	(2)
Employee benefits remeasurement reserve IAS 19	993	-	-
Cash Flow Hedge reserve recognized in other comprehensive income	-	-	-
Translation reserve	537	-	-
IAS/IFRS First Time Application Reserve	-	-	-
Stock option plan reserve	-	-	-
Loss for the year	(5,985)	(17)	(17)
Total	(5,296)	(19)	(19)

The account Prior year results carried forward increased due to the effect, among others, of the application of IAS 29 - Financial Reporting in Hyperinflationary Economies to the 2022 financial statements of the Group's Argentinian company. In accordance with this standard, net equity accounts in the financial statements of Italtel Argentina S.A., expressed in Argentinian Pesos, were restated to take account of the local inflationary effect. The accounting standard establishes that the counter-entry of the revaluation of net equity accounts must be recorded to the income statement of the year in which it occurs, in an allocated account under financial charges. The cumulative revaluation effect at December 31, 2022 is negative and amounts to Euro 890 thousand. As of December 31, 2022, the same revaluation effect is recognized for the Chilean company, in the amount of Euro 69 thousand.

Other reserves include Euro 993 thousand generated from the employee benefits remeasurement in application of IAS 19 revised which provides, from January 1, 2013, for the elimination of the corridor method and the immediate recognition of the actuarial gains and losses in the comprehensive income statement. At December 31, 2022 actuarial gains were recorded in the comprehensive income statement totaling Euro 993 thousand, without any tax effect.

The movements in the Employee benefits remeasurement reserve IAS 19 were as follows:

	2022	2021
January 1	-	-
Post-employment benefits actuarial gains(losses)	993	-
December 31	993	-

The translation reserve concerns the affects from the conversion into Euro of financial statements of the subsidiaries who prepare their financial statements in a functional currency other than the Euro.

The movements in the translation reserve were as follows:

	2022	2021
January 1	-	-
Conversion of opening net equity and consolidation adjustments	593	-
Conversion of Profit/(loss)	(56)	-
December 31	537	-

Note 27 Employee benefit provisions

The employee benefits provisions are broken down as follows:

	31/12/2022	01/04/2022	31/12/2021
Post-employment benefits	13,025	17,031	-
Early termination benefits	-	-	-
December 31	13,025	17,031	-

The post-employment benefits provision refers only to Italtel S.p.A.

With the entry into force in 2007 of the provisions established by the pension reform the balance sheet prepared after the reform must apply valuation criteria in line with a new regulation, illustrated in Note 2 - I - Employee Benefits, valuing for IAS purposes only the liability concerning post-employment benefits matured under the pre-existing regulation. That matured after the pension reform represents a defined contribution plan in that these payments do not involve further obligations for the company related to future employment service.

In accordance with IAS 19, for the valuation of post-employment benefits, the "Projected Unit Credit Cost" method was used as follows:

	31/12/2022	31/12/2021*
ECONOMIC ASSUMPTIONS		
Increase in the cost of living**	5.9% for the year 2023; 2.3% for the year 2024 and 2% annually from 2025	1.2% annually
Discount rate	3.63% annually	0.44% annually
Salary increases	-	-
Annual increase in post-employment benefit	5.93% for the year 2023; 3.33% for the year 2024 and 3% annually from the year 2025	2.40% annually
DEMOGRAPHIC ASSUMPTIONS		
Probability of death	Italian population data recorded by ISTAT in 2007 based on gender	Italian population data recorded by ISTAT in 2007 based on gender
Probability of invalidity	Projections for 2010 from the INPS tables by age and gender. This probability was created from the age and gender of the pensions at	Projections for 2010 from the INPS tables by age and gender. This probability was created from the age and gender of the pensions at

	January 1, 1987, commencing from 1984, 1985 and 1986 relating to the personnel of the credit division	January 1, 1987, commencing from 1984, 1985 and 1986 relating to the personnel of the credit division
Probability of dismissal	Annual frequencies of 3% were taken into account; departures in the business plan for the years 2023 and 2024 were taken into account	Annual frequencies of 3% were taken into account; departures in the business plan from 2023 were taken into account
Probability of retirement	It was assumed that the first pensionable requisites valid for the General Compulsory Insurance were reached	It was assumed that the first pensionable requisites valid for the General Compulsory Insurance were reached
Probability of advances	Annual value of 3% was considered	Annual value of 3% was considered

* parameters used for the valuation of the post-employment benefit provision at December 31, 2021, the value of which remained unchanged at the Assumption date of April 1, 2022

** To determine the annual rate of inflation, reference was made to the update to the 2022 Economics and Finance Document (NADEF 2022) published on November 4, 2022, which reports a consumption deflator for the years 2023, 2024 and 2025. From 2026, a constant rate of 2% was assumed.

Changes in the post-employment benefit were as follows:

	31/12/2022	31/12/2021
January 1	-	-
Assumption April 1, 2022	17,031	-
IFRS adjustment – actuarial losses/(profits)	(993)	-
Increase (decrease) for the year including reduction for pension reform	(434)	-
Financial expense/(income)	67	-
Utilizations in the year	(2,646)	-
December 31	13,025	-

Actuarial gains calculated for the year 2022 amount to Euro 993 thousand and are recognized with an offsetting entry in shareholders' equity in the IAS 19 Employee Benefits Restatement Reserve.

At the Assumption date of April 1, 2022, the post-employment benefit provision amounts to Euro 17,031 thousand and includes the statutory revaluation calculated in the first quarter of 2022 amounting to Euro 434 thousand. This amount is included in the IAS 19 Post employment benefit provision at December 31, 2022.

The interest cost recognized to financial expenses in the income statement Euro 67 thousand.

Note 28 Provision for risks and charges

The account provisions for risks and charges and the related movements were as follows:

	Contractual guarantees	Other risks	Total
January 1, 2021	-	-	-
December 31, 2021	-	-	-
Changes in the year:			
Assumption at April 1	35	11,990	12,025
- Increases	68	1,982	2,050
- Utilizations/Releases	-	(2,667)	(2,667)
- Exchange differences	-	(11)	(11)
December 31, 2021	103	11,294	11,397

Contractual guarantees represent the estimated value of costs to be incurred for the technical assistance guaranteed on plant sold. A provision of Euro 68 thousand was set aside during the year.

The Other risks and charges provision of Euro 11,294 thousand at December 31, 2022 refers to future losses on work-in-progress for Euro 554 thousand, contractual risks and future charges in connection with contracts in progress for Euro 2,625 thousand, provisions for departing personnel for Euro 292 thousand, estimated future charges for the liquidation of Beta TLC S.p.A. (formerly Italtel S.p.A.) for Euro 63 thousand (as a result of the assumption, the legal entity is non-operative) and of a number of foreign companies in the amount of Euro 488 thousand, and to possible contingent liabilities related to the arrangement liabilities of Beta TLC S.p.A, assumed on April 1, 2022, for Euro 7,029 thousand. The item also includes the Brocchi assistance provision, amounting to Euro 245 thousand, established over the years on a voluntary basis for employees for welfare purposes.

The increases for the year relate for Euro 640 thousand to contractual risks on contracts in progress, for Euro 437 thousand to future charges on work-in-progress, for Euro 451 thousand to provisions for future losses on work-in-progress, and for Euro 292 thousand to employee departure charges. Provisions of Euro 162 thousand were also made by a number of foreign companies.

The provisions utilized during the year amounted to Euro 2,667 thousand and mainly related to the coverage of internal costs associated with the execution of contracts for Euro 368 thousand, future losses on work-in-progress executed in the year for Euro 608 thousand, the coverage of costs incurred by the Company on behalf of Beta TLC S.p.A. for Euro 137 thousand, for which a total provision of Euro 200 thousand had been accrued, to the use of provision allocated by the branch office in Colombia in the amount of Euro 8 thousand, and to charges incurred for the settlement of the preferential arrangement liabilities assumed on April 1, 2022 for Euro 961 thousand. Following the positive resolution of legal disputes, excess funds of Euro 585 thousand were released.

Note 29 Medium/long-term and short-term financial liabilities

Medium-term and short-term financial liabilities at December 31, 2022 (zero at December 31, 2021) and as of the Assumption date of April 1, 2022 were composed as follows:

	31/12/2022			01/04/2022		
	Short-term	Medium/long-term	Total	Short-term	Medium/long-term	Total
Unsecured loans at subsidized rates to Banks	124	715	839	91	1,591	1,682
Liabilities to banks - preferential debt arrangement liabilities - subsidized loans	-	-	-	5,527	-	5,527
Liabilities to banks - preferential debt arrangement liabilities	-	-	-	14,606	-	14,606
Liabilities to banks - unsecured debt arrangement liabilities	5,575	10,136	15,711	-	15,711	15,711
Loans and arrangement liabilities	5,699	10,851	16,550	20,224	17,302	37,526
Liabilities for finance leases	1,693	4,603	6,296	1,586	5,040	6,626
Liabilities for financial leases vs. PSC Group companies	444	1,616	2,060	600	1,873	2,473
Medium/long-term financial liabilities	7,836	17,070	24,906	22,410	24,215	46,625
Bank loans	1,675	-	1,675	2,505	-	2,505
Total payables to financial institutions	9,511	17,070	26,581	24,915	24,215	49,130
Loan to PSC Group companies	-	-	-	-	-	-
Other payables	3,717	-	3,717	-	-	-
Hedging derivatives	526	-	526	-	-	-
Accrued expenses and deferred income	40	7	47	92	28	120
December 31	13,794	17,077	30,871	25,007	24,243	49,250

The gross financial debt at December 31, 2022 amounted to Euro 30,871 thousand, of which Euro 15,711 thousand related to the arrangement liabilities of Beta TLC S.p.A. (formerly Italtel S.p.A.) assumed on April 1, 2022 by Italtel S.p.A. The composition plan was based on the assumption commitment signed by Gruppo PSC S.p.A., PSC Partecipazioni S.p.A. and Nuovo Polo Impiantistico S.p.A. for the establishment of an "indirect" continuity arrangement with the assumption by a NewCo (the Nuovo Polo Impiantistico S.p.A.), through the novation of all the bankruptcy liabilities on the date of approval of December 9, 2021. This "Assumption Commitment" was naturally partially amended on September 14, 2021, in accordance with and in relation to the contents of the new Agreement between PSC Partecipazioni, Gruppo PSC, the Assuming company, TIM and Clessidra. It follows that, against the transfer to PSC of all of Italtel's assets and the simultaneous release for Italtel, the Assuming company's commitment specifically covered:

- payment in full, within twelve months from the date of final approval, of preferential financial receivables;
- satisfaction of unsecured Class II creditors consisting of the financial creditors Pillarstone Italy S.p.A. and Unicredit S.p.A., as well as a residual receivable of Banca Ifis S.p.A, holders of pledges on the shares representing the entire share capital of Italtel and the equity financial instruments issued in the past by Italtel, who are offered payment of 15.5% of the par value of their respective receivables, in three installments, of which: (i) 5.5% within the 15th month after final approval; (ii) 5% within the 25th month after final approval; and the remaining 5% within the 33rd month after final approval;
- the satisfaction of the remaining Class III unsecured creditors to whom cash payment is offered in an amount equal to 15% of their respective receivables, in three equal installments with due dates (slightly longer than for Class II) at the 18th, 27th and 36th months after final approval, respectively;
- the satisfaction of the unsecured financial receivables currently held by Clessidra S.p.A., exclusively by converting them into shares of the Assuming company's share capital.

The following table breaks down the financial liabilities assumed at April 1, 2022 by class (preferred and unsecured).

(Euro thousands)			
Lender	Subsidized loans	Arrangement liabilities preferred	Unsecured payables
MINISTRY FOR UNIVERSITY AND SCIENTIFIC RESEARCH	416	-	-
Intesa Sanpaolo	5,182	-	-
<i>amortized cost adjustment</i>	(71)	-	-
Unicredit	-	4,634	70
RSCT Fund	-	5,077	15,639
Clessidra	-	1,803	-
BPM	-	3,092	-
IFIS Bank	-	-	2
TOTAL	5,527	14,606	15,711

The subsidized loans and preferential financial payables were settled in full in December 2022 in the amount of Euro 20,078 thousand, within the 12-month period from the date of approval of December 9, 2021. The difference in the balance paid from the value assumed on April 1, 2022 is due to the final settlement of interest accrued on the senior debt.

In detail, the subsidized loans settled were:

	01/04/2022
PNGN project subsidized loan	416
Re-Reactor project subsidized loan	2,502
Agile-Networks project subsidized loan	2,609
Total	5,527

The preferential debt to banks assumed by the Company on April 1, 2022, amounting to Euro 14,606 thousand and settled in December 2022, included:

1. the debt for the enforcement of the guarantee issued against ordinary and subsidized loans related to the PAIMS and SIS projects with a total value of Euro 7,017 thousand;
2. the debt for the enforcement of the guarantee issued by Unicredit in favor of the company Nabucco for the rental contract of the Castelletto (Settimo Milanese) offices. The enforcement was made on June 4,

2020 by the lessor, with charges shared among several institutions, in the amount of Euro 641 thousand, corresponding to unsettled lease payments at April 7, 2020;

3. the value of the mortgage guarantee, established as Euro 6,948 thousand, in favor of the Lending Banks against short and medium to long-term loans including interest accrued at April 7, 2020. The portion of these loans not covered by the mortgage guarantee were classified as Class I unsecured debt for the portion held by Clessidra and Class II for the remaining portion held by RSCT Fund and Unicredit.

The unsecured financial payables assumed by the Company on April 1, 2022 amounted to Euro 15,711 thousand. This payable, to be settled in three installments according to the provisions of the approval decree dated December 9, 2021, consists of:

- short and medium-long-term bank loans not covered by mortgage guarantees in the amount of Euro 15,619 thousand, including interest accrued as of April 7, 2020;
- the enforcement of the guarantee issued in favor of the supplier Airplus for Euro 74 thousand;
- charges for unpaid bank fees of Euro 18 thousand.

The class I and class II creditors are broken down below. The unsecured debt held by Clessidra that was converted into equity on April 1, 2022 as a result of the Clessidra investment transaction, defined in the proposed composition agreement, was categorized to Class I.

	Class I	Class II
Clessidra – bank loans	7,430	-
RSCT Fund – bank loans	-	15,565
Unicredit - RCF line	-	54
Total short and medium to long-term bank loans	7,430	15,619
Clessidra - Airplus warranty enforcement	34	-
RSCT Fund - Airplus warranty enforcement	-	74
Total Airplus Warranty Enforcement	34	74
Unicredit - bank fees	-	16
IFIS Bank - bank fees	-	2
Total bank fee charges	-	18
Total unsecured debt	7,464	15,711

Liabilities under finance leases, recognized in accordance with IFRS 16, amounted to Euro 8,355 thousand at December 31, 2022, of which Euro 2,137 thousand was short-term and Euro 6,219 thousand was medium to long-term.

These balances include Euro 1,738 thousand from the parent company S.p.A. for renting the Rome office and Euro 321 thousand from PSC Investimenti S.r.l. for renting the warehouse in Pregnana Milanese. In addition, accrued expenses of Euro 32 thousand related to interest on financial lease contracts accrued and unsettled at December 31, 2022.

The changes in liabilities resulting from the application of IFRS 16 are presented below:

	31/12/2021	01/04/2022	Increase	Decrease	31/12/2022
Liabilities for finance leases to third parties	-	5,002	878	(1,039)	4,841
Liabilities for finance leases to PSC Group companies	-	2,473	23	(436)	2,060
Liabilities for financial leases to third party foreign companies	-	1,593	483	(653)	1,423
Total Liabilities for finance leases	-	9,068	1,384	(2,128)	8,324
Accrued expenses for lease interest	-	31	32	(31)	32
Total	-	9,099	1,416	(2,159)	8,356

During FY 2022, a new lease agreement was signed for the Rozzano (Milan) office dedicated to Noc (Network Operation Center) and Soc (Security Operation Center) activities for Euro 366 thousand. Car rental contracts were renewed in 2022 for a total value of Euro 520 thousand. A total of Euro 1,478 thousand in payments and Euro 28 thousand in early settlements of car rental contracts were made during the year.

During 2022, lease contracts for property of Euro 398 thousand and for motor vehicles of Euro 85 thousand were recognized by a number of foreign Group companies.

Financial payables to related parties are detailed in Note 46 - Related Party Transactions.

Short-term bank loans amounted to Euro 1,675 thousand at December 31, 2022 (Euro 2,505 thousand at April 1, 2022) and consisted of short-term loans of the companies in Brazil and Peru.

The balance of Other financial payables was Euro 3,717 thousand at December 31, 2022, and represents the value of a transaction to discount trade receivables.

At December 31, 2022, the liability for currency hedging derivatives amounted to Euro 526 thousand.

Accrued expenses amounted to Euro 41 thousand and included interest accrued on lease payables of Euro 31 thousand.

Condensed Balance Sheet

The condensed balance sheet at December 31, 2022 and April 1, 2022 is reported below.

	31/12/2022	01/04/2022	Changes
(Euro thousands)			
Non-current assets and liabilities:			
+ Goodwill	12,601	12,601	-
+ Property, plant and machinery and other intangible assets	27,908	37,442	(9,534)
+ Other assets	1,217	2,022	(805)
+ Deferred tax assets	(737)	949	(1,686)
- Employee provisions	(13,025)	(17,031)	4,006
- Provisions for risks and charges	(11,397)	(9,605)	(1,792)
- Other liabilities	(10,535)	(17,560)	7,025
Non-current assets and liabilities	6,032	8,818	(2,786)
Working capital:			
+ Inventories	24,660	29,254	(4,594)
+ Trade receivables and Works in progress	89,869	89,738	131
+ Other receivables	26,721	41,319	(14,598)
+ Assets held-for-sale	4,518	819	3,699
- Trade payables	(66,110)	(70,549)	4,439
- Other payables	(38,444)	(46,743)	8,299
- Liabilities related to assets held-for-sale	(892)	(1,349)	457
Working capital	40,322	42,489	(2,167)
Total net capital employed	46,354	51,307	(4,953)
Net financial debt / (Net liquidity)	(4,648)	(4,972)	324
of which cash	(35,436)	(54,221)	18,785
Total shareholders' equity	51,002	56,279	(5,277)
Share capital	5,675	5,675	-
Other reserves including the net result	45,327	50,604	(5,277)
Total Debt and Net Equity	46,354	51,307	(4,953)

Financial results

The net debt was as follows:

	(Euro thousands)		
	31/12/2022	01/04/2022	Changes
Short-term bank loans	1,675	2,505	(830)
Long-term bank loans	715	1,591	(876)
Medium and short-term arrangement financial payables	15,711	30,317	(14,606)
Subsidized loans (bank and other)	124	5,618	(5,494)
Liabilities for finance leases	6,294	6,626	(332)
Financial liabilities to Gruppo PSC	2,059	2,473	(414)
Other financial payables	4,243	-	4,243
Accrued expenses and deferred income	50	120	(70)
Gross debt	30,871	49,250	(18,379)
Cash in hand and similar	(9)	(13)	4
On demand bank current accounts	(33,300)	(52,524)	19,224
Restricted current accounts	(2,127)	(1,684)	(443)
Short-term financial receivables	(83)	(1)	(82)
Net debt / (Net liquidity)	(4,648)	(4,972)	324

The net financial position is positive (a cash position), decreasing from net liquidity of Euro 4,972 thousand at April 1 to Euro 4,648 thousand at December 31, 2022.

The gross debt decreased by Euro 18,378 thousand, substantially due to the settlement of Euro 20,078 thousand in arrangement debts, in accordance with the arrangement procedure.

Liquidity decreased by Euro 18,784 thousand as a result of the above movement.

The financial position adjusted for the extraordinary item due to arrangement financial payables and finance lease liabilities recognized in accordance with IFRS 16 would be positive (net cash) for Euro 28,712 thousand.

Note 30 Other liabilities

This account Other liabilities is comprised of:

	31/12/2022	01/04/2022	31/12/2021
Trade payables - Arrangement liabilities	10,242	16,423	-
Medium/long term accrued expenses and deferred income	246	1,090	-
Deposits	47	47	-
Total	10,535	17,560	-

At December 31, 2022, Other non-current liabilities includes the Arrangement liabilities related to trade payables to third parties. Compared to the Assumption balance at April 1, 2022, a decrease of Euro 6,216 thousand is reported due to the payment of the preferential arrangement debt of Euro 1,369 thousand and from the reclassification of Euro 5,035 thousand to other short-term liabilities for the portion due by June 9, 2023, the date scheduled for the payment of the first installment of the class III unsecured composition debt. The next two installments are due in March 2024 and December 2024. Arrangement liabilities expressed in foreign currency have been converted at the exchange rate at December 31, 2022.

Deposits refer to the security deposit paid by Seli-kab to guarantee the lease contract for the premises at the Carini (Palermo) offices signed on May 3, 2021.

The book value of the other liabilities approximates their Fair Value.

Note 32 Trade payables

The account is composed as follows:

	31/12/2022	01/04/2022	31/12/2021
Trade payables	61,697	64,460	-
Payables to associated companies	4	4	-
Payables to holding companies	34	930	590
Payables to group companies	54	11	-
Total	61,789	65,405	590

The payables to Related parties are broken down in Note 46 Related party transactions.

The book value of the Trade Payables approximates their Fair Value.

The trade payables in currencies other than the Euro, the group functional currency, are listed below:

	31/12/2022	(thousands)
	Foreign currency	Euro
US Dollar	28,265	26,500
Brazilian Real	13,976	2,479
Polish Zloty	96	21
Colombian Peso	7,218,523	1,396
Peruvian Nuevo Sol	41,535	10,266
Chilean Peso	37,505	41

Note 33 Current tax liabilities

Current tax liabilities amount to Euro 353 thousand at December 31, 2022, representing the Income tax payables:

	31/12/2022	31/12/2021	31/12/2021
Income taxes – foreign countries	353	95	-
Total	353	95	-

Note 34 Other payables and liabilities

The account other payables and liabilities is broken down as follows:

	31/12/2022	01/04/2022	31/12/2021
Employee payables	6,075	11,390	-
Social security institutions	2,927	3,012	-
Accrued expenses and deferred income	11,090	21,518	-
VAT	2,014	1,112	-
Withholding taxes to be paid	1,787	2,287	-
Other taxes	531	306	-
Customer advances	4,571	2,404	-
Other liabilities	9,096	4,615	-
Total	38,091	46,644	-

Employee payables of Euro 6,075 thousand at December 31, 2022 include accrued deferred remuneration to employees, travel expense declarations, recognized to Other current receivables, and payables for employee accrued and untaken vacation leave. The significant reduction in the balance at December 31, 2022, compared to the Assumption balance at April 1, 2022 is mainly determined by the payment of the preferential debt to employees of Italtel S.p.A. totaling Euro 3,001 thousand and the reduction of the vacation pay debt totaling Euro 1,197 thousand.



Social security institution payables at December 31, 2022 amounted to Euro 2,927 thousand and included contributions to be paid in January 2023 on December salaries and 13th month salary. As of the Assumption date of April 1, 2022, the balance included, in addition to the March 2022 payroll contributions, the social security contributions to be paid related to the March 2020 payroll whose settlement had been blocked by the arrangement procedure of Italtel S.p.A. This debt, included in the arrangement liabilities, was paid in December 2022.

Accruals and deferred income include revenues received for the future provision of goods and services.

The withholding tax payable balance at April 1, 2022 included a debt of Euro 1,079 thousand for withholding taxes payable for compensation paid to self-employed workers and for wages paid in March 2020 by Italtel S.p.A., which were not settled in the subsequent month as the ongoing arrangement procedure had made these debts unpayable. Withholding taxes included in the Arrangement Liabilities assumed by the company were settled in December 2022.

The first installment of the Unsecured Arrangement Liabilities recognized with the Assumption of April 1, 2022 of Euro 5,121 thousand, to be paid by June 9, 2023, is reclassified to Other Liabilities at December 31, 2022. At the date of Assumption all unsecured debt was recognized under Other non-current liabilities. This debt, for the portion expressed in foreign currency, is adjusted to the exchange rate at December 31, 2022.

Also in Other liabilities, advances for public grants at December 31, 2022 decreased by Euro 247 thousand compared to the balance at April 1, 2022. During the period, Euro 12 thousand was received from the European Union. During the year, advances of Euro 259 thousand were closed for the completion of a project initiated in previous years.

The book value of the other liabilities approximates their Fair Value.



INCOME STATEMENT

Note 35 Revenues from sales and services

The following tables present revenues from sales and services recognized in the first year of operations from April 1 to December 31, 2022, broken down by market and by region. The account includes revenues from sales of Euro 229,406 thousand and the decrease in contract work-in-progress of Euro 20,246 thousand.

i) Revenues from sales and services broken down by market

	2022	2021
Telco, Medium & Cloud Provider	55,797	-
Private & Public sector	39,999	-
Ultra Broad Band	14,941	-
Foreign	98,423	-
Total	209,160	-

ii) Revenues from sales and services broken down by region

	2022	2021
Italy	110,319	-
Other European countries	44,520	-
Central and South America	54,231	-
USA	52	-
Asia	38	-
Total	209,160	-

Revenues from related companies are detailed in Note 46 Related party transactions

Note 36 Other income

This account Other income is comprised of:

	2022	2021
Grants	1,288	4
Gains on disposals	3	-
Others	5,652	-
Total	6,943	4

Public grants for Euro 1,265 thousand concern operating grants for costs incurred for research and development activities and Euro 23 thousand of capital grants.

Others concerns prior year income for Euro 841 thousand, Euro 904 thousand of Cisco contributions on the VIP Program contract and SRS Agreement for Euro 2,548 thousand and the release of provisions for Euro 729 thousand.

Income from related companies are detailed in Note 46 Related party transactions.

Note 37 Purchases of materials and services

The account purchase of materials and services was broken down as follows:

	2022	2021
Purchases of materials	90,575	-
Purchases of services	49,770	21
Total	140,345	21

The breakdown of purchases on materials and services by the Italtel Group from related companies is reported in Note 46 Related party transactions, to which reference should be made.

Note 38 – Personnel expense

Personnel expense is broken down as follows:

	2022	2021
Salaries and wages	43,217	-
Social security charges	12,124	-
Post-employment benefits	1,993	-
Other non-recurring expenses	528	-
Others	1,872	-
Total	59,734	-

The average headcount is 1,465 for 2022.

Additional information on the breakdown by category, qualification and department is contained in the Directors' Report, in the Human Resources and Sustainability section.

Note 39 Amortization, depreciation and write-downs

The account amortization, depreciation and write-downs was broken down as follows:

	2022	2021
Development costs	2,267	-
Patents and intellectual property rights	514	-
Other intangible assets	479	-
Property	7	-
Right-of-use on Leased Property - IFRS 16	1,277	-
Plant and machinery	333	-
Right-of-use on Plant and Machinery - IFRS 16	80	-
Industrial & commercial equipment	257	-
Right-of-use on Leased Industrial and Commercial Equip. IFRS 16	1	-
Other assets	477	-
Right-of-use on Other Leased Assets - IFRS 16	629	-
Total	6,321	-

In the valuation of the PPA, a portion of the goodwill that emerged from the April 1, 2022 Assumption transaction was allocated to the Customer relationship for Euro 12,768 thousand. A useful life of 20 years was estimated for this asset.

Note 40 Other operating expenses

This account Other operating expenses is comprised of:

	2022	2021
Other operating charges	2,578	-
Provisions for risks	782	-
Write-down of receivables	407	-
Total	3,767	-

Other operating charges includes prior year charges of Euro 617 thousand.

The doubtful debt provision of Euro 407 thousand refers to specific trade receivables whose uncollectability was assessed according to the IFRS 9 methodology.

Note 41 Change in inventories

The following table highlights the principle components of the account:

	2022	2021
Contract work-in-progress and products in work in progress	(3,059)	-
Finished products and goods	(2,068)	-
Total	(5,127)	-

The change in inventories of finished products and goods includes the use of the provision for the scrapping in the year of obsolete or no-longer-saleable inventory written-down in previous years.

Note 42 Increases on internal works capitalized

Increases on internal works capitalized of Euro 1,586 thousand in the year ended December 31, 2022 refers for Euro 1,570 thousand to the capitalization of development costs having the characteristics described in the relevant accounting standard.

Note 43 Financial income and expenses

The following table highlights the principal components of the account.

	2022			2021		
	Charges	Income	Net expense/(income)	Charges	Income	Net expense/(income)
Currency differences	5,633	4,758	875	-	-	-
Bank interest	343	16	327	-	-	-
Others	3,870	285	3,585	-	-	-
Total	9,846	5,059	4,787	-	-	-

Net financial expenses amounted to Euro 4,787 thousand in the period to December 31, 2022.

Net currency losses of Euro 875 thousand are reported. The balance includes a charge of Euro 526 thousand from the fair value measurement of the forward purchase transaction of USD 13,000 thousand.

Others includes interest paid to Group companies regarding financial expenses of Euro 39 thousand arising from lease contracts signed with the parent company PSC S.p.A. accounted for in accordance with IFRS 16.

Other financial income and expenses reported net expense in 2022 and related mainly to charges for factoring transactions.

Note 44 Income taxes

Income taxes reported a net charge of Euro 3,253 thousand in 2022.

They include a charge of Euro 187 thousand related to prior year taxes.

The estimated IRAP estimated for the current year was zero.

Current taxes, all from foreign countries, amounted to Euro 1,297 thousand, and the net balance of deferred tax liabilities was Euro 1,769 thousand.

Reconciliation of effective taxes relating to the Group is broken down as follows:

	2022	2021
Profit/(loss) before taxes	(2,392)	N/A
Theoretical taxes ^(a)	(574)	-
IRAP	-	-
Prior year taxes	187	-
Deferred tax liabilities recognized on contributions from previous years	3,105	-
Difference between the tax rate on foreign entities	289	-
Non-deductible (exempt) tax components	220	-
Deferred utilization not recognized in prior years	(492)	-
Non-recognized deferred taxes	34	-
Other changes	484	-
Effective tax	3,253	-

(a) Determined applying the theoretical tax rate of 24% to the pre-tax result

Note 45 Assets and liabilities held-for-sale and discontinued operations

This item in 2022 includes the sale value of the Carini (Palermo) complex, amounting to Euro 4,000 thousand, for which the preliminary deed of sale was signed on February 15, 2023 with the company H Exchange S.r.l.. On December 29, 2022, the buyer had settled Euro 600,000 to the bank account in the notary's name as a deposit, corresponding to 15% of the agreed price.

Other discontinued assets and liabilities at December 31, 2022 concern the company Italtel Arabia Ltd in liquidation and the company Italtel Argentina S.A.

Italtel's new business plan sets out a restructuring of its overseas presence and operations so as to focus the Group's activities on local transactions of greater scope and profitability.

In this context, the Group's companies in Belgium and the United Kingdom were cancelled upon completion of liquidation procedures and, in addition, preparatory activities for the closure of the Argentine company began. During 2021, all employment relations were concluded and almost all existing contracts were terminated. The preparations for closure continued in 2022. At the preparation date of these financial statements, the possible interest of a local company to take over the company emerged. Depending on how this interest materializes, the sale of the company or the formal opening of liquidation proceedings for Italtel Argentina S.A. will then be considered.

The cancellation of the company Italtel USA LLC in liquidation concluded in March 2023.

Note 46 Related party transactions

Related party transactions were as follows:

December 31, 2022	Trade receivables	Financial receivables	Other receivables	Trade payables	Financial payables	Other payables
Associated companies:						
Cored - Reti Duemila consortium in liquidation	-	-	-	-	-	(4)
Consorzio Exprivia Soc.Consortile	-	-	-	(4)	-	(2)
Total	-	-	-	(4)	-	(6)
Group companies:						
Alpitel S.p.A.	185	-	-	(37)	-	(5)
PSC Investimenti S.r.l.	-	-	-	(7)	(322)	-
PSC Partecipazioni S.r.l.	-	-	-	(4)	-	-
Total	185	-	-	(48)	(322)	(5)
Parent company:						
PSC S.p.A.	38	-	-	(34)	(1,738)	-
Total	38	-	-	(34)	(1,738)	-
Other related parties:						
TIM Group	9,855	-	-	(1,078)	-	-
Clessidra Factoring S.p.A.	-	-	-	(3,133)	-	-
Total	9,855	-	-	(4,211)	-	-
Total	8,527	-	-	(4,297)	(2,060)	(11)

In 2022, the Italtel Group reports the following related party transactions:

2022	Sales	Purchases	Income / Financial (expenses)	Other
Associated companies:				
Cored - Reti Duemila consortium in liquidation	-	-	-	-
Consorzio Exprivia Soc.Consortile	-	-	-	(2)
Total	-	-	-	(2)
Group companies:				
Alpitel S.p.A.	-	(110)	-	184
Alpitel Brasil Ltda	-	(2)	-	-
PSC Investimenti S.r.l.	-	(54)	(7)	-
PSC Partecipazioni S.r.l.	-	-	-	(4)
Total	-	(166)	(7)	180
Parent company:				
PSC S.p.A.	-	(326)	(39)	31
Total	-	(326)	(39)	31
Other related parties:				
TIM Group	66,192	(1,311)	(708)	-
Clessidra Factoring S.p.A.	-	-	(217)	-
Total	66,192	(1,311)	(925)	-
Total	66,192	(1,803)	(971)	209

The senior executives in 2022 matured emoluments totaling Euro 1,153 thousand. These emoluments were as follows:

	2022	2021
Current Emoluments	1,081	-
Post-employment benefits	72	-
Total	1,153	-

Note 47 Guarantees and Commitments

The Italtel Group has undertaken rental contracts of an operating nature concerning essentially offices, vehicles and IT equipment. At December 31, 2022 and 2021, these contracts were accounted for in accordance with IFRS 16, which came into effect on January 1, 2019. The following table summarizes the outstanding commitments with respect to contracts not accounted for under IFRS 16 as they are of low value or of short duration.

	31/12/2022	31/12/2021
To be repaid		
- within one year	406	-
- between one and two years	215	-
- between two and three years	135	-
- between three and four years	-	-
- between four and five years	-	-
- over five years	-	-
Total	756	-

Italtel S.p.A. has outstanding guarantees of Euro 22,991 thousand, broken down into bank guarantees of Euro 43 thousand and insurance guarantees of Euro 22,948 thousand, of which Euro 13,555 thousand were issued against requests for reimbursement of VAT credit. Insurance guarantees have differentiated maturities until February 2027.

Note 48 Independent Audit Firm fees

In accordance with Article 37, paragraph 16 of Legislative Decree No. 39/2010, enacting amendments to the Civil Code, which supplemented Article 2427 of the Civil Code with No. 16-bis, the following table reports the fees for 2022 for the auditing of accounts and other services provided to the companies of the Italtel Group by EY S.p.A..

	Italtel S.p.A.	Subsidiaries	Italtel Group
Audit services	186	120	306
Other services	30	-	30
Total 2022 costs for auditing and other services	216	120	336

Note 49 Subsequent events

Italtel has signed a preliminary sales agreement with H Exchange, a real estate company related to the Hightel Towers Group, by which the companies have committed to formalize the final sale by April 2023. Subsequently, the activities of the historic Carini industrial complex will be transferred to a new location in Palermo that is more in keeping with the company's current needs. The relocation of the Carini hub is part of the plan to modernize the Italian offices, which seeks to improve the quality of work environments by establishing more modern and functional sites, and also to optimize operating costs and energy consumption with a view to eco-sustainability. A total of 169 people work at Carini, mostly technicians and engineers engaged in research and development laboratories on software design and the development of innovative network design and engineering, automation and information security services.

On February 28, 2023, Italtel initiated a collective dismissal procedure, pursuant to Law No. 223 of July 23, 1991, for a total of 123 employees.

As already stipulated in the business plan, the goal is to reposition the company to ensure its sustainability and accelerate growth on new markets, including through a plan to revise the workforce, which no longer matches the altered business and market environment.

Note 50 List of investee companies

A) List of companies included in the consolidation scope under the line-by-line method

Company (activities)	Registered Office	Currency	Share capital	% held	
1) Italtel S.p.A. (telecommunications systems and services)	Rome	Euro	5,674,752.28	53.66 28.62 17.72	Gruppo PSC S.p.A. Clessidra Capital Credit SGR S.p.A. TIM S.p.A.
Italian subsidiaries					
2) Italtel Latam S.r.l.	Milan	Euro	10,000	100	Italtel S.p.A.
3) Italtel S.r.l.	Milan	Euro	1,800,000	100	Italtel Latam S.r.l.
Overseas subsidiaries					
4) Italtel S.A. (telecommunication systems)	Madrid (Spain)	Euro	2,820,575	100	Italtel S.p.A.
5) Italtel Argentina S.A. (telecommunication systems)	Buenos Aires (Argentina)	P.A.	4,030,000	71.46 28.54	Italtel S.r.l. Italtel Latam S.r.l.
6) Italtel Brasil Ltda (telecommunication systems)	Sao Paulo (Brazil)	Real Brazilian	15,456,636	93.66 6.34	Italtel Latam S.r.l. Italtel S.r.l.
7) Italtel Deutschland GmbH (commercial)	Düsseldorf (Germany)	Euro	40,000	100	Italtel S.p.A.
8) Italtel France Sas (commercial)	Courbevoie (France)	Euro	40,000	100	Italtel S.p.A.
9) Italtel U.K. Ltd ⁽¹⁾ (commercial)	London (Great Britain)	UK Sterling	26,000	100	Italtel S.p.A.
10) Italtel Belgium Sprl ⁽²⁾ (commercial)	Brussels (Belgium)	Euro	200,000	60 40	Italtel S.p.A. Italtel France Sas
11) Italtel Poland Sp.Zo.O. (commercial)	Warsaw (Poland)	Zloty	400,000	100	Italtel S.p.A.
12) Italtel Arabia Ltd (commercial) in liquidation	Riyadh (Saudi Arabia)	SAR	3,287,980	90 10	Italtel S.p.A. Italtel S.r.l.
13) Italtel Perú S.a.c. (commercial)	Lima (Peru)	Nuevo Sol	3,028,000	90 10	Italtel S.r.l. Italtel S.p.A.
14) Ausoitaltel S.A. (commercial)	Quito (Ecuador)	USD	500,000	1 99	Italtel S.r.l. Italtel Latam S.r.l.
15) Italtel USA LLC in liquidation	Miami (Florida)	USD	150,000	100	Italtel S.p.A.
16) Italtel de Chile S.p.A.	Santiago (Chile)	P.C.	1,000,000	100	Italtel Latam S.r.l.
17) Nueva Italtel Colombia Sas ⁽³⁾	Bogotá (Colombia)	P.C.	2,025,037,000	100	Italtel S.p.A.

B) List of companies valued under the net equity method

Company (activities)	Register. Office	Curr.	Share capital	% held	Book value
Italian associated companies					
18) Cored - Consorzio Reti 2000 in liquidation (broadband networks)	Milan	Euro	260,000	30	Italtel S.p.A. 76
19) Cons. Exprivia Scarl	Milan	Euro	20,000	25	Italtel S.p.A. 5

C) List of investments in other companies valued at cost

Company (activities)	Registered Office	Curr.	Share capital	Medium % held	Book value
Other companies valued at cost					
20) Cefriel - S.c.r.l. (training and research)	Milan	Euro	1,173,393	4.93	Italtel S.p.A. 36
21) Consorzio Milano Ricerche (Milan Research Consortium) (design and research)	Milan	Euro	172,456	8.3	Italtel S.p.A. 15
22) Consel - Consorzio Elis per la Formazione Professionale Superiore - S.c.r.l.	Rome	Euro	51,000	2.5	Italtel S.p.A. 1
23) SISTEL - Comunicações, Automação e Sistemas S.A. (telecommunication systems)	Monte de Caparica (Portugal)	Euro	10,338,838	0.88 0.72	Italtel S.p.A. 29 Italtel BV 7
24) Parco Scientifico e Tecnologico della Sicilia S.c.p.A. (research)	Palermo	Euro	7,626,733	0.04	Italtel S.p.A. 2
25) MIP – Politecnico di Milano S.c.r.l. With effect from 30.1.2018 Share capital Euro 402,000 and percentage 2.98	Milan	Euro	438,000	2.74	Italtel S.p.A. -
26) CONAI National Packaging Consortium (management of packaging)	Rome	Euro	variable	0.00 5	Italtel S.p.A. 1
27) COFRIDIP Consortium	Padua	Euro	28,402	9.09	Italtel S.p.A. 3
28) Technology District, Sicily Micro e Nano Sistemi S.c.a.r.l.	Catania	Euro	597,313	4.65	Italtel S.p.A. 27
29) SI-LAB Sicilia S.c.a.r.l.	Palermo	Euro	30,000	18.5 0	Italtel S.p.A. 6
30) Open Hub Med S.c.a.r.l.	Milan	Euro	886,061.0 0	9.31	Italtel S.p.A. 66
31) Made S.c.a.r.l.	Milan	Euro	250,000	1	Italtel S.p.A. 3
32) Meccatronica Cluster Sicilia S.c.a.r.l. ⁽⁴⁾	Termini Imerese (PA)	Euro	6,000	0.03	Italtel S.p.A. 1
33) "Circular and Sustainable Made in Italy" Foundation ⁽⁵⁾	Milan	Euro	-	-	Italtel S.p.A. 8
34) "RESTART" Foundation ⁽⁶⁾	Rome	Euro	180,000	5.56	Italtel S.p.A. 10

Notes:

- (1) Company cancelled by closing liquidation in 2022
- (2) Company cancelled by closing liquidation in 2022
- (3) Incorporated June 9, 2022
- (4) Company incorporated on May 12, 2022.
- (5) Company incorporated on September 22, 2022
- (6) Company incorporated on September 23, 2022

Note 51 Grants and economic benefits received from public sector entities

Pursuant to Article 1, paragraph 125 of Law No. 124 of 2018, the following table highlights the information concerning grants and other economic benefits received from Italian Public Sector entities during 2022.

(Euro)				
Type	Grantor	Project	Subsidized rate	Amount collected at December 31, 2022
Non-refundable grant	European Union	Guard	-	26,382
Advances	European Union	H2020 Ecsel Brain	-	12,230
	MINISTRY FOR UNIVERSITY AND SCIENTIFIC RESEARCH			
Non-refundable grant		Servify	-	1,085,998
Total				1,124,610

For the Board of Directors
The Chief Executive Officer

Milan, March 29, 2023



Italtel S.p.A.

Consolidated financial statements as at December 31, 2022

Independent auditor's report pursuant to article 14 of
Legislative Decree n. 39, dated 27 January 2010

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Italtel S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Italtel Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of Italtel S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

For comparative purposes, the consolidated financial statements present the data of the previous year prepared in compliance with the international accounting standards which derive from the consolidated financial statements as at 31 December 2021, prepared in compliance with the Italian regulations governing.

The explanatory note "Criteria utilized for the transition from Italian GAAP to IFRS endorsed by the European Commission" illustrates the effects of the transition to the International Financial Reporting Standards adopted by the European Union and includes information relating to the reconciliation statements required by the international accounting standard IFRS 1.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the

European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Italtel S.p.A. or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Italtel S.p.A. are responsible for the preparation of the Report on Operations of Group Italtel as at December 31, 2022, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Italtel Group as at December 31, 2022 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Italtel Group as at December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 12, 2023

EY S.p.A.

Signed by: Mauro Ottaviani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

